

# THE BCCI AFFAIR

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**HEARINGS**  
**BEFORE THE**  
**SUBCOMMITTEE ON**  
**TERRORISM, NARCOTICS, AND INTERNATIONAL**  
**OPERATIONS**  
**OF THE**  
**COMMITTEE ON FOREIGN RELATIONS**  
**UNITED STATES SENATE**  
**ONE HUNDRED SECOND CONGRESS**  
**FIRST SESSION**

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OCTOBER 18 AND 22, 1991

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**PART 2**

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## **NARCOTICS AND FOREIGN POLICY IMPLICATIONS OF THE BCCI AFFAIR**

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**FRIDAY, OCTOBER 18, 1991**

**U.S. SENATE,  
SUBCOMMITTEE ON TERRORISM, NARCOTICS, AND  
INTERNATIONAL OPERATIONS  
OF THE COMMITTEE ON FOREIGN RELATIONS,  
*Washington, DC.***

The subcommittee met, pursuant to subpoena, at 10:03 a.m., in room SD-419, Dirksen Senate Office Building, Hon. John F. Kerry (chairman of the subcommittee) presiding.

Senators Present: Kerry, Simon, Brown, Hatch, Wofford, and Jeffords.

Senator KERRY. This hearing of the Subcommittee on Terrorism, Narcotics, and International Operations of the Foreign Relations Committee will come to order.

Today we begin the fifth day of hearings in this subcommittee on BCCI, the bank, and the BCCI scandal.

We are looking at the implications of this bank's dealings on U.S. foreign policy; we are looking at its implications with respect to the war on drugs; and also the role of foreigners in our domestic, financial system.

This is the beginning, today, of a series of hearings over the course of the next week. Next week we will be hearing from a long-time insider in BCCI, one of the major, financial officers of the bank, who will be—for the first time—telling publicly his knowledge of exactly what happened with respect to the many involvements of the bank here in this country.

In addition, we will hear from Mr. Bert Lance, with respect to the National Bank of Georgia, and early introductions of Mr. Abedi and BCCI in this country. And then on Thursday, we will have Messrs. Clark Clifford and Altman appear before the committee, in order to answer questions with respect to this matter.

And finally, on Friday—time permitting, if we do not spill-over and need a second day with Mr. Altman and Mr. Clifford—we will have the CIA before the committee to talk about CIA involvement and knowledge with respect to this bank, and possibly the State Department.

Today we are going to look at a case study, if you will, on a particular branch's direct involvement in criminal activity. A lot of people have heard, over the course of the last months, about BCCI's cultural criminal activity, or the culture of criminal activity, as it has been referred to.

There have been many oblique references to arms dealings, to smuggling, and to other activities. But no one has really described what that was, or how it happened. Today we are going to do just that. Today we are going to really open the window on a particular case of smuggling, and arms dealing, and learn something about how BCCI contributed to that.

Today is really a case study in the way in which a bank—a supposed upstanding, and important member of any community—can be an important part of the conspiracy that rips at the fabric of our values and those laws.

Today we are going to have testimony about a specific case involving a Jordanian arms dealer by the name of Munther Bilbeisi who, as you will learn, it will be alleged, used BCCI to carry out covert weapons deals, the bribery of foreign officials, commodities fraud, and tax evasion in the United States and elsewhere.

The case raises, regrettably, further questions about the handling of these matters by United States law enforcement agencies. Mr. Bilbeisi's banker was a man named Amjan Awan, who was deposed by this committee in 1988, and who was Manuel Noriega's personal banker at BCCI.

In previous hearings, witnesses testified before this subcommittee about how various U.S. officials and agencies fought to keep Noriega's drug dealing secret, and to prevent his exposure because of concerns that it would embarrass our Government. The fact that Amjan Awan and BCCI were simultaneously personal bankers to both Noriega and Bilbeisi, may also be a coincidence. But it is also possible, and it raises the question, that U.S. Government agencies may not have been able to address the issues raised by the information that they did have on Bilbeisi and BCCI because of the Noriega connection.

Before we begin, I just want to caution the witnesses, as I have prior to their coming here, that we want facts, not surmise; and that we are going to document with the admission of a significant volume of documents the assertions that are being put forward here today.

One final comment. This committee has, on occasion, been criticized, supposedly for chasing goblins, or for looking at strange and nefarious types that people did not take seriously.

I can remember back in 1986 when we issued our first report in which we pointed the finger at the private aid network to the Contras, and talked about the drug-running and gun smuggling that many people were very quick to dismiss our witnesses because they were felons, and because they were drug runners.

I am quick to point out today that those very people are the principal witnesses that our own Government is paying significant sums to and using as their witnesses in a number of major drug cases in this country, not the least of which is the prosecution of General Noriega.

I finally would point out that a number of those people that we had then asked questions of, and were pursuing, are the very people who have pled guilty in recent days because they lied to this committee, as our inquiry was ongoing. And I am referring, obviously, to Mr. Alan Fiers, to Clair George, and to Elliott Abrams for

whom specific counts of their indictments are lying to this committee.

I say that not with any pleasure or glee, but because I think that it is important that this committee's record of correctness be set out and be understood.

Before we turn to the witnesses, I might also point out that Lloyd's of London, and the gentlemen in front of us who are engaged by Lloyd's of London to pursue insurance fraud, which is what led them to their understanding of the BCCI involvement, expended some \$6 million and major staff personnel in order to pursue one element of one branch's involvement in BCCI.

This committee was criticized for expending some \$200,000 with only two personnel, over a 3-year period, to pursue the entire BCCI investigation. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

I think it is appropriate to note here that you have played the leading role in bringing this issue to the forefront. And I, personally, am very appreciative of the leadership you have provided in that area.

The simple fact is that we have long recognized that matters of war and peace have an international flavor to them. Since World War II, the world has begun to recognize, in a very broad way, that we live in an international market, versus a local market or a national market. And that has dramatically impacted our statutes, both in business, with business regulation, as well as trade matters. Taxes have clearly been impacted by an adjustment to an international and a world market. In health matters, and a variety of other things, we have slowly begun to recognize, in the last 4 decades, what an international village it is that we live in, and tried to adjust our laws to accommodate that.

One area, though, that we are woefully behind the times, is in recognizing that crime has gone international. I do not mean that it has not been discussed, or thought about. But the simple fact is we have never recognized it from a legislative point of view, the way it is necessary to approach it.

The current cases involve an excellent example. The simple fact is that while criminal activities are illegal in each country, that there is a woeful lack of mechanism of recognizing how crime can operate on an international basis, and thus circumvent national laws.

I think what we have is an excellent example—or a tragic example, perhaps I should say—of how these loopholes allowed an international, criminal conspiracy to be fostered and developed. It is quite clear that this Nation has not developed the kind of statutes we need to, to deal with this international, criminal problem.

This is an example where banking practices become an integral part of a criminal conspiracy. And while we have been enthusiastic as a Nation about regulating banks—perhaps even too much in some areas—this is an area that simply has been neglected.

And Mr. Chairman, I believe that the important hearings that you have brought forward will lead to significant new, legislation that will attempt to deal with international, criminal conspiracies, and will reach out in a wide variety of areas that will impact U.S. statutes—specifically with regard to banks. But I suspect, in addi-

tion, we will have to be looking at international mechanisms to make sure that the U.S. laws can be enforced. And I suspect our trading partners will have similar concerns.

So I see the hearings today as having a major impact, not only in exposing criminal practices, but a major impact in developing new legislation that can deal with these practices.

Senator KERRY. Senator Brown, thank you very much.

Let me just say, for myself, I appreciate your bipartisan, and deep commitment to getting at this, and your help in doing so.

I think we are, indeed, going to be able to produce some legislation on this. And I think there are a number of areas where we began a few years ago, in trying to get currency transaction reports from off-shore banks, because of the huge loophole that existed.

Many Americans do not realize it, but American banks are required to keep transaction reports on any cash transaction of \$10,000 or over. But the minute that American bank opens a branch off-shore, it no longer is required to provide those reports, nor is any foreign bank, off-shore, required to do so.

So we have created an incentive to move cash transactions through these off-shore accounts. And in an age where we are literally transferring, on a daily basis, trillions of dollars through the international banking system by electronic wire, people have a huge menu in front of them for ways to avoid accountability. The system is way behind, as you have said, way behind, in creating accountability in that, and really has become an aid—a boon, if you will—to criminal activity.

I think it is absolutely vital that the G-7, at least, and perhaps the G-15 stop talking about this, as they have been, and really try to do something about it with international agreements on how to monitor this kind of activity.

Senator SIMON. Thank you.

Unfortunately, I am going to have to be here just briefly. But I have read your statements, and I should not be reading from them in advance, but you say it is our conclusion that what worked well with coffee, might just as well have worked with cocaine or other illegal drugs.

And the second thing, the failure of the Justice Department to respond—and this is not just something that happens with this administration, or Republican administrations. It is a bipartisan thing that happens too often. I think there has to be some mechanism created—maybe it is an ombudsman in the executive branch—when we are talking about laws, where people, whether it is your department, or HHS, or anyone else, have where an agency fails to respond to something that is essential, some place else to turn.

And maybe it is simply that people have to turn to us. I am not sure. But clearly, we have to just not look at what has happened. We have to say how can we improve the process? Let me just add my appreciation of your work and your leadership, Mr. Chairman. And let me add—if I may get Senator Brown's attention here for 1 minute—let me just add my appreciation also for Senator Brown, not only is he working in a bipartisan way here, he has been a real legislator. I serve on another committee with him. And I appreciate

your willingness to dig in on these things, and do a job that needs to be done.

Senator BROWN. Well, I have merely been trained by the Senator from Illinois.

Senator SIMON. You are kind.

Thank you, Mr. Chairman, and I apologize.

Senator KERRY. Thank you very much, Senator.

Gentlemen, we welcome you here today, and appreciate very much your coming.

I would like to ask both of you if you would stand to be sworn? Would you raise your right hand, please? Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you, God?

The WITNESSES. I do.

Senator KERRY. If you would each state your name for the record, and then identify yourselves, and proceed with your opening statement.

**STATEMENT OF JAMES F. DOUGHERTY, II, ATTORNEY AT LAW, MIAMI BEACH, FL; ACCOMPANIED BY VICENTE VALLS, ESQ., AND RICHARD A. LEHRMAN, ESQ.**

Mr. DOUGHERTY. I am James Dougherty, 1301 Dade Boulevard, Miami Beach, FL. And my associate, Richard Lehrman, is here with me. He practices law with me at our same office, at 1301 Dade Boulevard in Miami Beach, and my investigator, Vicente Valls, from Miami, FL, who has worked on this claim in our travels to Central America.

Senator KERRY. Would you proceed with your opening statement?

Mr. DOUGHERTY. Thank you very much, Senator Kerry, Senator Simon, and Senator Brown.

My associate, Richard Lehrman, and I are attorneys admitted to practice in the State of Florida. We are engaged primarily in the defense of commercial, insurance litigation. We are here at the request, specifically, and pursuant to subpoena of your subcommittee, to discuss what we have learned about the Bank of Credit and Commerce International, and subsidiaries, in its course of protracted litigation that commenced in the federal courts in Miami, FL, the southern district of Florida, beginning in January 1988 involving one of its best, high net-worth customers, Munther Ismail Bilbeisi, a Jordanian citizen, who resided both in Hollywood, and Boca Raton, FL.

What our experience in three different lawsuits has provided us—and we wish to share with you today—is a window, through which you can see how Bank of Credit and Commerce International supported this criminal client in various violations of the U.S. Code, that began early in 1982.

Looking at the case of Munther Bilbeisi, who was both a smuggler of commodities, and a clandestine arms dealer, you will be able to see how important the bank was as the financial partner in facilitating his criminal activity in violations of the U.S. Code and the laws of Central America.

Mr. Bilbeisi violated the laws of the Central American countries—at least—of Honduras, El Salvador, and Guatemala, as well as the United States. He has recently been indicted in the southern district of Florida, and a copy of the entire criminal complaint and the indictment will be provided and made a part of the record.

That indictment relates to coffee smuggling and preparation and filings of false income tax returns. His accountant was also indicted. Mr. Bilbeisi, you should know, is presently residing in Amman, Jordan. As announced to the world press, he does not intend to return to the United States. There is an issue as to whether or not he can be extradited.

His codefendant, Mr. Gruschoff, was active in the preparation of his tax returns, and the books and records which were a direct impediment to the unraveling of this task, as well as from the books and records of BCCI.

Now Bank of Credit and Commerce International, S.A., and its affiliates had two branches: one in Miami on Brickel Avenue, and one in Boca Raton, FL. Mr. Bilbeisi was a direct reason why the Boca Raton branch was opened to facilitate his commercial activity with that bank. Indeed, one of his relatives, Fahkri Bilbeisi has been, and is, today—although the bank is in receivership, as we all know—the senior bank partner in BCCI, Amman, Jordan.

Mr. Bilbeisi, from the evidence that we have reviewed, has moved various funds of his three corporations—Coffee, Inc., Orion Systems, Inc., and Mura International—with the direct connivance and participation of BCCI to conceal accounts, arrange cash payments, and facilitate the smuggling of coffee and other commodities through Central America into the United States.

When our investigation began—and there should be a brief word about this—we knew nothing of Munther Bilbeisi or BCCI. Very simply, Senator Simon, Munther Bilbeisi individually obtained what is called a fine arts policy of insurance, to ensure what he represented to a particular underwriter, Richard Fielder, were a collection of antique rugs, and a Chinese vase—the appraisals, it was later determined, to be absolutely fraudulent.

He also obtained, in the name of his company Coffee, Inc., or Orion Systems, Inc., an insurance vehicle called a Marine Insurance Shipment, to facilitate the movement of coffee.

Two claims were filed in short succession, Senator Brown, after October 24, 1986. That date is significant because that was the date that the world price of coffee had dropped over 200 points.

Within 2 days of that significant economic event, Mr. Bilbeisi filed a false insurance claim, claiming that his home had been burglarized. In the course of the investigation of that claim, Mr. Bilbeisi stated under oath that his company, Coffee, Inc., had sustained a financial claim and loss of some \$4 million, as a result of the switch of some \$12,000 bags of coffee. And it was at that point, in order to demonstrate the existence and validity of the claim, that Mr. Bilbeisi began to introduce vast, incomplete sets of records of Bank and Commerce International.

Now let me take a further minute to explain our involvement in this matter.

Lloyd's rejected—the underwriters at Lloyd's—both claims, on the grounds—briefly—of fraud, and false-swearing. The documen-



tation supplied by Mr. Bilbeisi, particularly in the Coffee, Inc. claim demonstrated on its face that there were no bills of sale; there were no contracts of sale; all that was given were a series of cashier's checks.

I wish to stress that even though we were involved with litigation against BCCI as a nonparty witness, and Mr. Bilbeisi as a defendant, we are not here to try our case, but rather to convey information we have learned concerning the operation of Bank of Credit and Commerce; and, the U.S. Government's response to what we obtained through subpoenas from grand juries.

We do not purport to have knowledge of all of BCCI's operations in its network of 69 countries. We will limit our remarks to those transactions which involve Mr. Bilbeisi in criminal conspiracy with the bank's operations in Miami, in England, and in Amman, Jordan.

The documents produced in the litigation, since 1988, that we have obtained from the bank at different times, from Mr. Bilbeisi and his corporations at different times, and from third-party witnesses, exceed the size of a large warehouse.

We have attached to the various records that we have, a fragmentary selection of some of those records in order to demonstrate the issues of coffee smuggling and arms violations here today.

On the first topic of arms dealing, you might ask: what is the relevance of an arms dealer to contracts of insurance? Senators, that goes to the moral hazard of the applicant himself, and the obligation and utmost good faith that an applicant for insurance disclose his true activities. Mr. Bilbeisi did not do that.

We have documentation that there are at least seven, separate transactions of major arms shipments in which Munther Bilbeisi was involved, with weapons either obtained or supplied from the United States or England, which ultimately went to Jordan.

The first involved a sale of small arms to Honduras and El Salvador. During the brief, 1969 soccer war between Honduras and El Salvador, Mr. Bilbeisi sold small arms or light armaments to both El Salvador, and attempted, and did sell some of the armaments to Honduras.

The second transaction that we are aware of began in 1974. This clandestine shipment of British-made centurion tanks, surface-to-air missiles, and jet aircraft that were given by and sold by the Government of England to Jordan, resulted in a clandestine, subsequent sale when those weapons became obsolete, by Mr. Bilbeisi, and they were brokered to South Africa.

We now know that in 1974, a particular reporter, Martin Walker for the Guardian, was in Jordan and came upon this particular transaction which, historically, in the world events, was a shattering revelation, because world opinion had prohibited the sale of weapons to South Africa.

Mr. Walker, in Jordan, came across this event, publicized it. It led to an official cessation of some of the shipments, and a recognition by Jordan that those shipments had occurred.

In 1975, we now know that Mr. Bilbeisi had also participated in the sale of surplus F-86 North American Sabre Jets from Yugoslavia to Honduras.

This becomes significant, since in 1978, Mr. Bilbeisi once again, became involved in a sale of the retrofitting of the entire core of British and American made tanks, which the Jordanian Government decided to update to be on a position of equivalency with the state of Israel.

That contract resulted in a claim by Mr. Bilbeisi and his corporation—and still one other shell corporation—to seek, in the American courts, in federal court in Michigan, commissions over \$7 million. All of these facts were not revealed to the underwriters at Lloyd's.

We know that during the years when insurance coverage existed, beginning in 1983, and before the filing of the false insurance claims in 1986, that Mr. Bilbeisi had a former operative of the Central Intelligence Agency, Mr. William Toten, working in his company; supposedly—and which we do not believe—for the sale of coffee. We know that in 1984 upon the retirement of Gen. James Vaught, the Three-Star Army General from the U.S. Army, that there were attempts also, by Mr. Bilbeisi to sell weapons. These proceeded, ultimately, in 1985 by further attempts by Mr. Bilbeisi to sell weapons to the Contras through Adlofo Colero.

In 1987, in the midst of the litigation that, and the investigation that had resulted from the present claim, Mr. Bilbeisi attempted to sell 10 Northrop Jet Fighters, F-5's, and 18 Sikorsky S-76 helicopter gun ships from Jordan to Guatemala with some 13,000 general purpose bombs.

Mr. Bilbeisi attempted to finance this sale of American manufactured arms without the requisite State Department and user certificates, through originally a \$34 million letter of credit. This letter of credit was initially issued, but was not completed by BCCI in Amman, Jordan.

Despite the efforts of several intermediaries on Mr. Bilbeisi's behalf, including a former consul general in Miami, and several Guatemalan generals, all of whom—as of last week—are now under indictment by the Republic of Guatemala. The financing for the complete transaction fell through.

Mr. Bilbeisi set up a \$5,175,000 letter of credit, naming BCCI Miami as the advising bank for three, of the quote, end of quote "civilian helicopters" which were manufactured by Sikorsky—S-76 helicopters, in the possession of King Hussein of Jordan.

Mr. Bilbeisi admitted that these obsolete, Jordanian helicopters were obtained for approximately \$2 million, and were later sold to the Republic of Guatemala for some \$5 million.

Discovery has revealed various facsimiles from Mr. Bilbeisi, and his intermediaries in Guatemala containing a list of various Guatemalan public and military officials, including the brother of a former president of Guatemala, Vinizio Cerezo, Milton Cerezo, to whom various kickbacks of profits from this completed transaction were directed.

The Bank of Credit and Commerce International wire transferred these funds to Bank Leumi, in Miami Beach. Included in the payoff list was the mention of some \$400,000 to BCCI—and in parenthesis, (NB) which we contend, and we believe we have evidence—represented a kickback to BCCI Miami.

These assumptions are corroborated by the issuance of BCCI cashier's checks to all of the persons named in the pay off list, in the same amounts listed on the payoff list. In addition, BCCI Miami received the \$400,000 assignment of proceeds from the letter of credit when the \$5.1 million sale of the helicopters was completed.

In pleadings which Lloyd's has filed seeking sanctions in the southern district of Florida, we have argued that this illicit sale of the United States-manufactured arms from Jordan to Guatemala, which Mr. Bilbeisi brokered, was directly tied to our litigation. The payoffs to these Guatemalan officials were made soon after the disputed insurance claims involving coffee smuggled into the United States, and which Mr. Bilbeisi contended was mysteriously switched, for which he sought insurance coverage.

Our investigation of this insurance claim for a coffee loss centered in Guatemala, since the coffee—although claimed to be of the origin of El Salvador, in fact—was grown in Guatemala. It was purchased from Guatemalan brokers, stored in Guatemalan warehouses, and trucked from Guatemala to Port St. Thomas de Castillo. When the coffee arrived in the United States, the marks on all of the bags were changed.

The greatest resistance that we received was when we began the process of investigating whether or not there was an insurance claim that was valid when we attempted to verify the origin of the coffee in Guatemala. We determined that the bags were falsely marked; that the coffee in the subject claim, as all previous shipments was smuggled. And it was at that period of time that Mr. Bilbeisi and the bank had attempted to block this investigation by initiating and then completing a partial arms shipment.

It is a documented fact in the southern district of Florida that subsequent to the unraveling of this tale of smuggling, of political payoffs, that there were attempts by Mr. Bilbeisi's Guatemalan attorneys to bribe our attorneys in Guatemala City, which led to—with the consent of our Guatemalan attorney who was investigating and assisting us—a tape recording made by agents of the U.S. Department of Justice, the Drug Enforcement Agency. Those tapes were filed, of record.

The fallout from the completed sale of these three, overpriced and obsolete civilian helicopters, involving kickbacks to Guatemalan generals and other officials, has now resulted in widely reported, national scandal in the Republic of Guatemala and, the indictment not only of the former president of Guatemala, Vinicio Cerezo and his brothers, but other members of the military.

I would like to turn for one minute, now, to an explanation of the coffee-smuggling scheme. As we all know, coffee is one of the most significant, important commodities in world trade. Because of the existence of the International Coffee Agreement, Senator Brown, in 1982 through its termination in February 1986, there were two, international prices for coffee. The agreement coffee sells for much more than non agreement coffee. What Mr. Bilbeisi and his alter-ego companies, Coffee, Inc. and Orion Systems, Inc., during the years 1982 through 1986, was buy coffee in Central America, as nonagreement coffee, and then sell it in the United States as more expensive agreement coffee.

He entered into a complicated system of a vertical conspiracy, in which he bribed members of shipping lines, agents at the ports in Central America, and as Mr. Lehrman will describe, used three different methods of illegally introducing coffee in multiple, successful violations of the United States law. When the coffee arrived in the United States, it was remarked, there were kickbacks made to people in the United States to rebag the coffee, and then to transmit it to various coffee buyers in the United States.

During the years 1983 through 1987, Mr. Bilbeisi directed BCCI to issue in excess of \$100 million in letters of credit to finance the purchase of coffee from various Central American countries, which included El Salvador, Guatemala, Honduras—and significantly, coffee in Panama. Mr. Bilbeisi insured the inland transit, second aspect warehouse storage, and then finally the open marine ocean shipments of this coffee from various Lloyd's syndicates, which we represent.

Under the insurance contract, this Central American coffee was purportedly destined for Third World countries, such as Agaba, Jordan, or Syria. In reality, each of those shipments, Senator Brown, was smuggled into the United States for resale to roasters or brokers in New York City, Miami, or New Orleans.

My associate, Mr. Lehrman, will describe the methods by which the coffee was smuggled into the United States, including the ports of New Orleans, Louisiana, Miami, and Tampa, Florida.

Although many records have been deliberately destroyed, we have been able to reconstruct the illegal importation of coffee into the United States, for which Mr. Bilbeisi paid, with the cooperation of BCCI as its financial partner, in excess of \$34 million.

In addition, we have been able to trace kickbacks of some of the illicit profits from the resale of this coffee to the United States shippers, storage facilities, brokers, the roasters, and of course, the various BCCI officers who participated in this continuous scheme.

The insurance claim, as I earlier indicated, which was initiated in February 1987, for an alleged coffee switch during the spring of 1986, all emanated when the world price of coffee fell in October 1986. Smuggling, therefore, became no longer profitable to Mr. Bilbeisi and he attempted to recoup his profit by claiming that cheap, low-grade coffee had been switched, in each of some 12,000 bags. And therefore, he was entitled to make this marine claim. So that in reality, the false insurance claim was an attempt by him to recoup the paper loss that he sustained as the world price of coffee fell, between April 1986 and October 1987.

The U.S. attorney's office for the southern district of Florida did file an indictment against Mr. Bilbeisi on August 5, 1991. A criminal complaint was filed by his office, the Office of the United States District Attorney on May 5, 1991—barely one day before the expiration of the statute of limitations. Mr. Lehrman will describe more fully a review of BCCI records which were not withheld in discovery, or destroyed, that reveals that the coffee smuggling conspiracy at all times took place with the full cooperation and knowledge—and direct bribery and payments—by various officers of BCCI in Miami and Boca Raton.

Moreover, although efforts have been made to characterize this conspiracy as a local operation involving two Florida, BCCI officers,

documents do demonstrate that the scheme was financed, in part, by bank guarantees from BCCI Amman, Jordan, and approved by BCCI's central credit office in London, England. And we now know, as a result of discovery that we have uncovered in the last 6 months, Senator Kerry, that the same personal banker used by Munther Bilbeisi, was, as you've indicated in your opening remarks, the same personal banker of General Noriega, Amjan Awan.

We additionally know that substantial payments, Senator Brown, were made by Munther Bilbeisi to Gerardo Harris, the ex-Treasurer of Panama, who was the direct financial link between Munther Bilbeisi and BCCI and General Noriega.

Both you, Senator Brown, and Senator Kerry should be aware that there have been reported statements issued by the Los Angeles Times by Mr. Franz, which have detailed that there was a grand jury leak in 1990, of the participation of General Noriega and Munther Bilbeisi in smuggling and introducing into the United States during the years 1982 and 1983, Colombian coffee, through the actual records that we uncovered in our coffee claim. In other words, in order to demonstrate the falsity of the claim in 1986, it was necessary to unravel the entire previous, historical, commercial activity between the bank and Bilbeisi between 1982 and 1987.

I would like to turn from our experience to some of the dangers that are posed as a result of this insurance claim, and the massive, complicated federal litigation in the southern district of Florida. What this case has demonstrated, is that Bank of Credit and Commerce International was a direct financial partner with Munther Bilbeisi and his companies, as a continuous, criminal enterprise.

The bank, BCCI, gave Bilbeisi the credit for his business. The bank worked with him with the bank's capital—not Mr. Bilbeisi's capital—and the bank, in turn, took substantial shares of that profits.

BCCI prepared, at all times, documents—which some of the exhibits will demonstrate clearly on their face, which were not destroyed, and which we obtained, selectively, from random documents torn out of files, placed back together, that the bank, itself knew, through its employees and officers—that the subject coffee was being smuggled.

The bank used its branch network to hide the profits which were made through the coffee smuggling, through the use of cashier's checks, wire transfers, and letters of credit—all in violation of the U.S. Code. Without BCCI, Bilbeisi would not have had a legitimate front during the years before the bank's indictment to conduct his enterprise.

Now, we are deeply distressed ourselves, at having conducted this litigation, and the discovery, since 1987. And when we were subpoenaed by agencies of the U.S. Government to produce those records to the Government, to demonstrate ongoing violations of the U.S. Code, time and time again we raise Mr. Bilbeisi's smuggling activities with representatives of the U.S. Customs. In fact, a major meeting took place here in Washington, DC, with Mr. Rosenblatt, when we had uncovered most of the pieces of the missing puzzle. The statements which were made at the conclusion of that meeting were that the U.S. Customs was not interested in a paper

case—a paper case that involved clear violations of the U.S. Customs sections of the Code, when we were able to demonstrate that the bank facilitated the profit made from the coffee smuggling, through the bank's branches in Boca Raton, by moving substantial amounts of income—not reported by Mr. Bilbeisi's business partners—to the bank's offices in phony accounts in London, England, which were clear violations of the income tax laws of the United States.

Controlling illegal activity means controlling illegal banking. This is especially true when the activity involves international, continuous commerce, because that bank, the Bank of Credit and Commerce International is illustrative of how a corrupt bank, given the power of drug trafficking, arms transactions, political payoffs, corrupt payoffs between the customers and other employees of the bank, is a bank awash and designed solely to violate the laws of the United States.

It is a disappointment that with all of the information that we learned and gave to agencies of the Treasury Department—particularly, U.S. Customs—and with the information that we now know, that U.S. Customs possessed earlier information that Mr. Bilbeisi was, indeed, smuggling the coffee in 1983, and that Mr. Bilbeisi, as of 1987 was violating the currency transaction laws of the United States, that no serious attempt was made to indict Mr. Bilbeisi in the years 1983–87, indeed, with the information available to United States law enforcement agencies, if the indictment had taken place in the years between 1983–86, the underwriters at Lloyd's would have not had to litigate a false insurance claim.

Indeed, it's regrettable that the statute of limitations on the actual Customs violations have all expired. And now, Mr. Bilbeisi is left with primarily an income tax violation, a serious income tax indictment.

Thank you, Senator Kerry and Senator Brown.

[The prepared statement of Mr. Dougherty follows:]

#### PREPARED STATEMENT OF JAMES F. DOUGHERTY, II

Good morning. My name is James F. Dougherty, II. I am accompanied by my counsel Richard Alan Lehrman. We are members of the Florida Bar. We are engaged in the private practice of law in Miami Beach. We are here at the request of the Subcommittee to discuss what we have learned about BCCI in the course of litigation against BCCI and one of its criminal customers, a Jordanian national, Munther Ismael Bilbeisi.

What our experience provides is a window through which you can see how the bank supported criminal clients in their various activities. Looking at the case of Munther Bilbeisi, who was a smuggler and an arms dealer, you will be able to see how important the bank was in facilitating criminal activity.

Mr. Bilbeisi violated the laws of a number of countries in the course of his activities. He evaded taxes and smuggled coffee into the United States. He evaded taxes in Guatemala, Honduras and El Salvador. He bribed officials to arrange arms transaction in Guatemala and failed to comply with controls on arms exports.

BCCI financed his transactions with loose and accommodating letters of credit. It then moved his money to conceal accounts, it arranged cash payments to him, and prepared paperwork which concealed what had occurred. When our investigation began, BCCI helped Bilbeisi by stalling on discovery and presenting only a fraction of the subpoenaed information.

Let me take a minute to explain our involvement in greater detail. We represented certain underwriters of Lloyd's when Bilbeisi filed two multimillion dollar insurance claims during October 1986 and February 1987. Lloyd's rejected the claims and we began discovery against Bilbeisi and BCCI at the end of 1987. The discovery led

us and our clients to conclude that Bilbeisi and the bank had been engaged in a multiyear, multinational conspiracy to smuggle coffee, launder money and sell weapons illegally.

I wish to stress that even though we are involved with litigation against BCCI and Mr. Bilbeisi, we are not here to try our case but rather to convey information we have learned concerning the operation of BCCI and the Government's response to what we have learned. We do not purport to have knowledge of all of BCCI's operations in the 69 countries in which it conducted business. We will limit our remarks to the transactions which involved Bilbeisi and his colleagues.

The documents produced in discovery in our civil actions fill an entire warehouse. We have attached to our statement a fragmentary selection of those documents which will give you a sense of the problems.

#### COFFEE SMUGGLING

Coffee is one of the most important commodities in world trade. Because of the International Coffee agreement there is a two tier international price for coffee. Agreement coffee sells for much more than nonagreement coffee. What Bilbeisi did was buy coffee in Central America as nonagreement coffee and sell it in the United States as the more expensive agreement coffee.

During the years 1983-87, Mr. Bilbeisi directed BCCI to issue in excess of \$1 billion in letters of credit to finance the purchase of coffee from various Central American countries, including El Salvador, Guatemala and Honduras. Mr. Bilbeisi insured the inland transit, warehouse storage and ocean shipment of this coffee with the interested underwriters at Lloyd's, London.

Under the insurance contract, this Central American coffee was purportedly destined for Aqaba, Jordan or other Middle Eastern ports. In reality, the coffee was smuggled into the United States for resale to roasters or brokers in New York City.

My colleague Mr. Lehrman will describe the methods by which the coffee was smuggled into United States ports including New Orleans, Louisiana and Miami and Tampa, Florida. Although many of the records have been destroyed, we have been able to reconstruct the illegal importation of coffee into the United States for which Mr. Bilbeisi paid in excess of \$34 million. In addition, we have been able to trace "kickbacks" of some of the illicit profits from the resale of this coffee to United States shippers, storage facilities, brokers, roasters, and of course BCCI officers.

The insurance claim arose when the Coffee agreement collapsed and with the collapse, the price of coffee fell. Smuggling was no longer profitable so Bilbeisi tried to make his profit by claiming that cheap, low grade coffee had been swapped for expensive coffee and that his insurers, our clients, had to make up the difference. U.S. attorney's office for the southern district of Florida recently issued an indictment of Mr. Bilbeisi and his accountant for a tax evasion conspiracy arising out of the failure to report the profits from this coffee smuggling conspiracy.

As Mr. Lehrman will describe more fully, a review of BCCI records not withheld in discovery or destroyed, reveals that the coffee smuggling conspiracy took place with the knowledge and active participation of BCCI officers in Miami and Boca Raton, Florida. Moreover, although efforts have been made to characterize the conspiracy as a local operation involving two Florida BCCI offices, documents show that the scheme was financed in part by bank guarantees from BCCI-Amman, Jordan, was approved by BCCI's central credit office in London, England, and involved the participation of General Manuel Antonio Noriega's personal banker, the country manager of BCCI-Panama, Amjad Awan.

#### ARMS DEALING

Mr. Bilbeisi has been a recognized international arms dealer for nearly a quarter of a century. His well documented partially completed sale of American and British manufactured Centurion tanks, Hawker-Hunter jet fighters and missiles to the racist regimes in South Africa and Rhodesia appeared on page 1 of the September 10, 1974 Manchester Guardian. This disclosure created a national scandal in England. Over the years, Mr. Bilbeisi has attempted or completed sales of American manufactured 105-MM guns for the entire tank corps of the Royal Jordanian army, American manufactured F-86 jet fighters from Yugoslavia to Honduras, American manufactured small arms to the Nicaraguan Contras, C-130 transport planes from Jordan to Argentina and nuclear material to the Middle East.

Many of these earlier transactions may have involved BCCI financing. Many appear to the outsider as being of questionable legality at best. However, we can say

with certainty that Mr. Bilbeisi's most recent attempt to sell American manufactured arms to Guatemala involved the active assistance of BCCI and were illegal.

During 1987 and 1988, Mr. Bilbeisi attempted to sell ten Northrup F-5 jet fighters and eighteen Sikorski S-76 helicopter gun ships from Jordan to Guatemala. Mr. Bilbeisi attempted to finance this sale of American manufactured arms without the requisite State Department end-user certificates through a \$34 million letter of credit. The letter of credit was issued by BCCI in Amman, Jordan.

Despite the efforts of several intermediaries on Mr. Bilbeisi's behalf, including a former Consul-General and several Guatemalan Generals—all of whom are under indictment in Guatemala along with Mr. Bilbeisi—the financing for the complete transaction fell through.

However, Mr. Bilbeisi set up a \$5.175 million letter of credit naming BCCI-Miami as the advising bank for the sale of three of the Sikorski S-76 helicopters. Mr. Bilbeisi admitted that these obsolete Jordanian helicopters were obtained for only \$2 million and we have well founded reason to believe that the price was even less.

Discovery has revealed a facsimile from Mr. Bilbeisi's intermediary in Guatemala containing a list of the various Guatemalan public and military officials, including the brother of then President Vinicio Cerezo, to whom "kickbacks" of the profits from the deal were to be directed.

Included in the "payoff list" was a mention of \$400,000 to "BCCI (M.B.)," representing a kickback to BCCI-Miami. These assumptions are corroborated by the issuance of BCCI cashiers checks to all the persons named in the "payoff list" in the same amounts listed on the "payoff list." In addition, BCCI-Miami received a \$400,000 assignment of proceeds from the letter of credit when the \$5.175 million sale of the helicopters was completed.

In pleadings seeking sanctions, which we filed with the court in the southern district of Florida, we argue that this illicit sale of U.S. manufactured arms from Jordan to Guatemala was tied to our litigation. The payoffs to Guatemalan officials were made soon after the disputed insurance claims involving coffee smuggled from Guatemala.

Our investigation of the insurance claim for a coffee loss centered in Guatemala since the coffee was Guatemalan in origin, was purchased from a Guatemalan broker, stored in a Guatemalan warehouse, and trucked within Guatemala to the Guatemalan port of Santo Thomas De Castilla.

I personally met substantial resistance when I attempted to investigate this claim in Guatemala during 1987 and 1988. I am convinced that Mr. Bilbeisi's payments were the source of this difficulty. In addition, Mr. Bilbeisi tried to bribe our attorneys and investigators in Guatemala through one of the people named in the 1988 "payoff list."

The fallout from the completed sale of these three overpriced obsolete Sikorski S-76 helicopters involving kickbacks to Guatemalan generals and other officials has resulted in a widely reported national scandal and the issuance of several indictments by the Guatemalan Government against Mr. Bilbeisi, BCCI and those who lined their pockets with the proceeds from this illicit transaction.

#### CONTACTS WITH U.S. GOVERNMENT AGENCIES

Almost from the inception of these civil actions it was clear that the coffee smuggling conspiracy involved multiple violations of the United States criminal code, especially 18 U.S.C. § 541 et. seq., which prohibits the importation of goods into the United States under false or fraudulent bills of lading or other documents. In addition, we became aware of multiple violations of the Munitions Control Act, which prohibits the sale of U.S. manufactured military weaponry without State Department authorization. Finally, we became aware of multiple acts of money laundering committed by BCCI in connection with coffee smuggling conspiracy and arms transactions.

As officers of the court we considered it our duty to bring these crime to the attention of appropriate law enforcement agencies. Over the next three years we repeatedly notified the Customs service, IRS, and the U.S. attorney's offices of three districts of these crimes. Finally, in frustration I sent a letter to the Attorney General outlining the problem.

There was no response to our efforts other than a form letter of appreciation from Customs.

We subsequently became aware of an internal U.S. Customs memorandum dated June 1983 describing Mr. Bilbeisi's illicit importation of coffee from Central America. We also became aware, through the public press, of an indictment and conviction of an English arms dealer named Colin Breeze, involving the sale of a single Sikorski S-76 helicopter, also supplied from Jordan. Our numerous written contacts



and meetings with customs are outlined in the attached set of exhibits. To our knowledge, U.S. Customs never followed up on any of the information we provided.

In 1990, the criminal investigative division of the Internal Revenue Service subpoenaed our records, apparently in connection with an investigation of the tax consequences of the illicit profits generated by the coffee smuggling scheme. Our cooperation included not only supplying the IRS with thousands of records but devoting literally hundreds of hours to inputting and analyzing data at the request of the IRS. It is a matter of public record that the Internal Revenue Service issued a criminal complaint on May 15, 1991—the day before the expiration of the Statute of Limitations—against Mr. Bilbeisi and his accountant for tax evasion arising from the coffee smuggling scheme. Three months later, the U.S. attorneys office for the southern district of Florida issued a criminal indictment against Mr. Bilbeisi and his accountant listing the same charges. To our knowledge, no indictment has been issued against any of the BCCI officers connected with the scheme or against any of the persons named in the Guatemalan indictments.

#### THE DANGERS POSED

What this case shows is how central an accommodating bank is to criminal activity. BCCI gave Bilbeisi the credit to do business. He worked with their capital, not his own. Intern they took a share of profit.

BCCI prepared documents which were essential to the shipment and then interpreted them loosely so that a false destination would not impede payment. It used its branch network to hide the profits abroad and its cashiers checks to turn profits unto untaxed, non traceable cash.

Without BCCI, Bilbeisi would have had a really difficult time organizing and financing his deals. With BCCI they were a snap.

Moreover, it is our conclusion that what worked well with coffee might just as well have worked with cocaine or other illegal drugs. What worked as a system of payoffs to foreign officials to stop our discovery effort, could just as well have covered buying silence on drug running.

We are deeply distressed by the obvious difficulty the Justice department has had addressing this bank as an institution. Time and again we brought the bank's role in the affair to the attention of Justice. Time and again we have raised Bilbeisi's smuggling activities without response. Even when we turned over what we thought was conclusive evidence of coffee smuggling Justice failed to act.

Controlling illegal activity means controlling illegal banking. This is especially true when the activity is cross border and the bank is an elusive, unregulated foreign entity which is never subject to careful scrutiny.

Thank you for your attention. We will be glad to answer any questions you may have.

Senator KERRY. Thank you very much, Mr. Dougherty.

Is Mr. Lehrman going to testify separately, or just answer questions?

Mr. LEHRMAN. I will just respond to questions, Senator.

Senator KERRY. Well, I want to thank you very much for that.

What I want to do now is see if we can draw a simpler, and clearer picture, in a sense. There is a lot of convoluted history there of involvement. And for the person coming at this for the first time, it is not that easy to follow.

I want to try to draw that picture as clearly as we can.

I think one of our initial points of inquiry here is to understand exactly how BCCI facilitated these two schemes. So let us take the one arms deal, where BCCI was a clear facilitator. Do you want to walk us through that?

Mr. DOUGHERTY. Do you want us to take the charts, Senator?

Senator KERRY. Sure, let us put the charts up. That is what they are there for, and show it in very clear terms.

Mr. Lehrman, while they pull those out, why do you not just answer a question for me, here, verbally, before they get the charts up.

How was BCCI integral to the arms deal, and how would BCCI have had to have known what it was involved in?

Mr. LEHRMAN. BCCI was the conduit through which the funds to finance the arms deal were funneled.

Senator KERRY. Now what makes this arms deal illegal, right up front?

Mr. LEHRMAN. The Arms Export Control Act prohibits the sale of U.S.-manufactured arms, without State Department approval.

Senator KERRY. Was there State Department approval here?

Mr. LEHRMAN. There was not.

Senator KERRY. Does any facilitator of financing for this know for a fact that that is required?

Mr. LEHRMAN. Anyone involved in the financing of arms deals would know that requirement. We have correspondence in our records reflecting inquiries that are contained in BCCI's filed, with respect to whether the end-user requirement was adhered to.

Senator KERRY. And what was the response with respect to those inquiries?

Mr. LEHRMAN. Mr. Bilbeisi typically evaded the response, or he said he would have that requirement taken care of.

Senator KERRY. And notwithstanding the lack of adequate response, the bank went ahead and provided the financing?

Mr. LEHRMAN. That's correct.

Senator KERRY. If you would walk us through these charts that are up here, one by one, would you explain precisely what they are?

Mr. LEHRMAN. The chart closest to you, Senator, is a May 27, 1987, letter from Mr. Bilbeisi to Brigadier General Rojas, the highest ranking officer at the time, military officer, of the Government of Guatemala. In short, it says, in Spanish, we are the exclusive representatives of the Jordanian Armed Forces for the sale or military equipment. We also represent companies specializing in the manufacture of equipment in East and West Europe, especially Yugoslavia and Czechoslovakia.

In effect, it's a letter of introduction from Mr. Bilbeisi to the Guatemalan government to get an entre to the highest-ranking officials of the Guatemalan military.

Senator KERRY. The significance of that letter, with respect to BCCI is what?

Mr. LEHRMAN. The significance of the letter is that Mr. Bilbeisi is a known arms dealer.

Senator KERRY. The next document?

Mr. LEHRMAN. The May 27, 1987, letter to Brigadier General Rojas, describes a proposal for an arms deal involving Sikorsky S-76 helicopters, which Mr. Bilbeisi described as "civilian" helicopters, to the authorities regulating those helicopters, and to us, in discovery responses. In fact, as can be seen on page 2 of the letter which states, all of the above aircraft can be fitted with armament kits consisting of spare, support reams, upon which you can hang armaments to carry 50 caliber machine guns, 7.62 mm twin machine guns, or 2.75-inch aerial rockets, as described in the enclosure. At all times those helicopters were to be retrofit as gun ships.

Senator KERRY. And is it not true that in the course of this transaction it was clear that the retrofitting and the provision of the military capacity was, in fact, part of the deal?

Mr. LEHRMAN. It was not only a part of the deal, in a way, it was the only way the deal could be consummated. Because had the ships been fit with armament kits prior to Bilbeisi's applying them to Guatemala, it would have been very clear—even clearer—that the end-user certificate requirement had been avoided.

In this cases, Mr. Bilbeisi is trying to end-run the end-user certificate requirement, by providing ships with helicopters, which were always intended to be retrofit as gun ships.

Senator KERRY. Notwithstanding the lack of end-user certificate, BCCI provided the requisite—or was prepared to provide the requisite financing. Is that accurate?

Mr. LEHRMAN. That is correct.

Senator KERRY. Is there any other role that BCCI played to facilitate this?

Mr. LEHRMAN. Part of arms transactions is to make sure that people in the military, highly ranked public officials are taken care of financially. BCCI provided the conduit through which the necessary persons could be paid off. These persons would include generals, other highly ranked public officials. In this case, the brother of the then-President of Guatemala, Milton Cerezo, and, of course, the intermediaries hired by Mr. Bilbeisi, including the former Counsel General of Guatemala.

Senator KERRY. Now you say that very matter-of-factly. I think most Americans would sit there and say what the hell is going on here? Do you mean, whenever there are these arms transactions in government, the guys in power get paid off? And we are basically saying yes, that is true? Do not be surprised, Senator, that is the way it works everywhere. Is that accurate?

Mr. LEHRMAN. Let me clarify that, Senator. In a legitimate government-to-government transaction, these type of payoffs don't exist—or at least not that we're aware of. It was precisely because this was an illicit transaction, and as Mr. Dougherty stated before, for the purpose of blocking our coffee investigation in Guatemala, that the transaction was conducted not only to benefit Mr. Bilbeisi, but to pay the people who would be in a position to block our investigation.

Senator KERRY. Now, the third document is a reference to what?

Mr. LEHRMAN. The third document, which is a signed letter from Mr. Bilbeisi to Mr. Bilbeisi's intermediary in Guatemala, describes the spare parts that were to be provided as part of the helicopter transaction, including a list of roughly 16,000 general-purpose cluster bombs. The letter states, B, General Purpose, because obviously to hide the nature of the transaction.

However, when Mr. Bilbeisi was confronted with this letter at his deposition on May 16, 1990, in the case pending in the southern district of Florida, he did admit that B stood for cluster bombs. However, he said that the request for the cluster bombs was made by the Guatemalans, so naturally it didn't make Mr. Bilbeisi an arms dealer.

Mr. DOUGHERTY. Senator Kerry, part of that original contemplated deal involved the sale—as we said in opening statement—of

squadron of F-5 jet fighters. And the bombs were designed as a further inducement to have the Guatemalan Air Force be in a position of parity in 1987 with the squadron of F-5 jet fighters that the State Department had approved for the sale to Honduras. But the State Department, at all times, had prohibited—as we understand it—the sale of any jet fighters or gun-ships to the Republic of Guatemala, for what the State Department claimed was an ongoing violation of human rights violations going back to 1981.

Senator KERRY. That is what I want to get to.

That is why, Mr. Lehrman, in the middle chart, the mounting of machine guns on these helicopters was important for Guatemala. Why? To precisely get around what Mr. Dougherty has just talked about. Is that correct?

Mr. LEHRMAN. Precisely. The purpose of the end-user certificates are to ensure that only foreign governments which receive the approval of the State Department receive the lethal weaponry listed in the statute. So the whole point of using BCCI as an intermediary, and using Mr. Bilbeisi was to permit the government of Guatemala to obtain these Northrop F-5 jet fighters, and these helicopter gun-ships without the approval of the U.S. Government.

Senator KERRY. Now, it is pretty fair to assume that any legitimate banking institution that wants to be in good standing, understands that when it receives letters and requests for letters of credit with respect to a weapons sale, it is automatically on notice that it ought to have an end-user certificate, and know that this is a legitimate and approved sale, correct?

Mr. DOUGHERTY. Yes, Senator Kerry. And the first document, the very first document in the bank's file, dated January 1983, is a letter of introduction from Munther Bilbeisi. And in the second paragraph of that letter, Mr. Bilbeisi boasted in English—we have an enlargement of that—of the same last paragraph, 4 years later in 1987 that he was an arms dealer.

In other words, the bank knew from the inception of its relationship, at all times, that Mr. Bilbeisi held himself out as an arms dealer.

Senator KERRY. And the date of that is when?

Mr. DOUGHERTY. January 1983.

Senator KERRY. And in 1983, Mr. Bilbeisi was based in Miami, was he not?

Mr. DOUGHERTY. He was, sir.

Senator KERRY. And in 1983, when he was based in Miami, he was dealing in U.S. arms. Is that not correct?

Mr. DOUGHERTY. To our knowledge, he was. From the records that we have received in discovery responses that dealt with all manners of weapons.

Senator KERRY. So in 1983 you have an arms dealer dealing out of Miami, holding himself out to this bank, initially as an arms dealer, yet, nevertheless, not dealing within the confines of U.S. law.

Mr. DOUGHERTY. That is correct.

Senator KERRY. OK, now how exactly does the end-user certificate normally get provided? What is the process one would go through?

Mr. DOUGHERTY. To our—to my knowledge, there is a request made to the Department of State and a specific subagency, to the Department of Munitions Control, that the provider of the American-made weapons signs an end-user certificate—which was obtained in this case, initially, by—at the end, by President Vinizio Cerezo. There is a copy of that. But there was never any signoff of the document of the Sikorsky helicopters, to our knowledge, by King Hussein of Jordan, who was the provider of the weapons.

In any event, those documents were to be sent to the Department of State Munitions Control Board. A request was made by us to obtain that document search. And the response came back that there were none. There were none done in the deal. You should know, Senator Kerry, that U.S. Customs officers from West Palm Beach, and an agent, Jeffrey Martin, came to the home of Mr. Bilbeisi in late 1987 to confront him of the requirement of the end-user certificates, and to confront him that portions of those helicopters contained prohibited equipment—VHF radios. Mr. Bilbeisi then ordered that the helicopters be shipped from Agaba Jordan, directly to Port of St. Thomas, Castilla, Guatemala, so that the vessel never reached the United States shores so that it could be seized, and that it be subject to investigation. The end-user certificates were never obtained.

Senator KERRY. Is there any other way that the committee should be aware that BCCI facilitated this process, or played a role in it?

Mr. DOUGHERTY. The answer to that question is yes, Senator. There are source books which we have obtained in our civil discovery. We, the attorneys for Lloyd's, are under a confidentiality order with respect to the third lawsuit in which Lloyd's, as the plaintiffs, sued the bank for a RICO action, a civil RICO action. Those source records would contain the identity of corporations contained in the letters of credit file, the bank's wire transfers, and their cashier check volumes. Those documents are, of course, available to your subcommittee. And I believe from your review of it, you would be able to identify still other corporations that sold armaments from the south Florida area, or that the bank, through its branches, provided financial assistance.

Senator KERRY. You have brought a RICO, a civil RICO?

Mr. DOUGHERTY. Yes.

Senator KERRY. Why has the Government never employed a RICO approach here?

Mr. DOUGHERTY. The U.S. Government did not file a RICO action until—a civil RICO action—to our knowledge, at any time. That is a matter that we addressed. And it's the only time that I, personally, have ever written a letter to the Attorney General of the United States, which will be later placed in evidence, in December of 1990, as it became apparent that the bank—subject to several lawsuits—was about to—having announced that it was going to retire from the United States, and that records would be taken back to Abu Dhabi, or that records would be taken back to England. And like a prophet, in one letter, one of the fifth and last letter that I addressed to the U.S. attorney, putting him on notice with a sheaf of records to all of the possible violations, and bases to bring a civil RICO action.

I reminded the U.S. attorney and the Attorney General of the United States, that under the U.S. Code they possessed the power, under the civil RICO statute to issue what is called a civil investigative demand, and seize the records of the bank, before those records were taken back to the Middle East, so that the U.S. Justice Department could conduct just such an inquiry, and find out whether or not from the branches in Miami, Boca Raton, Los Angeles, Tampa, New York, or Chicago, major arms transactions had taken place in Central America, and we received no response to that.

In other words, I felt it necessary, before my client's authorized the filing of a RICO claim, to bring to the attention of the U.S. attorney and the Attorney General, himself, of the fact that they possessed the power of greater magnitude than the underwriters at Lloyd's, as a civil plaintiff, to seize those records. And no attempt was done.

As soon as my clients' initiated a RICO action, we immediately sought from the United States magistrate in the southern district of Florida—Magistrate Johnston—orders, to seize the records, as in January the bank announced its close-down.

We were successful in obtaining a series of orders in the civil litigation, in which Magistrate Johnston, and later, United States District Judge Marino ordered these source records seized, and made available to us, subject to this confidentiality order.

To answer your question, I don't believe that the U.S. attorney's office has ever done it. We could only speculate as to the reasons why they have not done that.

Senator KERRY. You keep putting your hand on a book. What is that, that you are referring to? Is that what you have sent to the Justice Department?

Mr. DOUGHERTY. We have those letters here. I wanted to show you, Senator, and I have it—the actual orders themselves, that contain the orders prohibiting the removal of the records. And we have an index of a series of correspondence that we will deliver to you at this hearing.

Senator KERRY. Yes, but I am trying to get the sequence here.

You were—as you went through the investigation, in 1987, 1988, you began to collect more and more information. You said there were four times, five times, you were in touch with law enforcement authorities?

Mr. DOUGHERTY. Yes, we have an index of those letters sent to the U.S. Justice Department.

Senator KERRY. What was the date of the first letter?

Mr. DOUGHERTY. The first letter went September 13, 1989, to the District Director of U.S. Customs in Tampa.

Senator KERRY. Setting out what?

Mr. DOUGHERTY. A request for records that would demonstrate coffee smuggling, by Coffee, Inc., and asking Customs if they would permit us to receive those records.

Senator KERRY. What happened to that?

Mr. DOUGHERTY. No response.

Senator KERRY. What was the next correspondence?

Mr. DOUGHERTY. The next correspondence, in sequence, went to the Assistant U.S. Attorney, Louis Kerry. And then on November

29, 1989, to the U.S. attorney—the U.S. attorneys in both Miami, New Orleans, and Tampa, bringing to their attention the existence of the coffee smuggling scheme and a request to receive records in the possession of U.S. Customs. No response.

Senator KERRY. OK, no response at all.

Mr. DOUGHERTY. None.

Senator KERRY. And then the next correspondence?

Mr. DOUGHERTY. The next correspondence was on December 15, 1989. It was a letter directed to Mr. Flynn to attempt to—

Senator KERRY. Who is Mr. Flynn?

Mr. DOUGHERTY. Mr. Flynn is an Assistant U.S. Attorney here in Washington, and that dealt with the inquiry as to whether or not there were any end-user certificates issued to Mr. Bilbeisi or his corporations, for the Guatemalan transaction, or any of the previous ones. And there was a response that the appropriate Department of State Agency Munitions Control had no such records of Mr. Bilbeisi.

Senator KERRY. What was—and then you wrote another letter, subsequent to that?

Mr. DOUGHERTY. Yes, we wrote a letter on April 30 to the Assistant U.S. Attorney, Mark Jakowski—

Senator KERRY. April 30, what year?

Mr. DOUGHERTY. 1990—asking for a request to review specific records that were introduced in the BCCI criminal indictment, and the criminal conviction in Tampa, and an opportunity to confer with him, and to review the records that were seized from BCCI in Miami, under a search order that was issued by the United States magistrate, when the bank's offices were all closed and the records were sealed.

Senator KERRY. What happened to that request?

Mr. DOUGHERTY. No response.

Senator KERRY. Well, is it possible—being devil's advocate, and taking their side for a minute—is it possible that they had an ongoing investigation and did not want to deal with somebody on the outside at that time?

Mr. DOUGHERTY. Well, the records we wanted to see, Senator, we wanted to confirm, were the records of Munther Bilbeisi that were also seized at the same time that the grand jury subpoena and search order was issued.

In other words, when the Operation C. Chase indictment occurred, there was a seizure of bank records, including Amjan Awan's records, when he was in charge of Lacro in Miami. And part of all of his customers included not only the individuals in the Tampa—

Senator KERRY. I am not sure that answers my question. I mean, there was an ongoing investigation at the time, correct?

Mr. DOUGHERTY. Well, the records that we wanted to see, were the records that were either not used by the Middle District Attorneys—U.S. attorney's office that were taken, that should have been available to us—

Senator KERRY. I see.

Mr. DOUGHERTY [continuing.] And we should have been given an opportunity to see the records that were put in evidence. And we weren't allowed to see those, either.

Senator KERRY. And what was the last letter you referred to?

Mr. DOUGHERTY. That was a letter of April 30, 1990, to the—

Senator KERRY. A subsequent letter?

Mr. DOUGHERTY. The next letter went to Bonnie Tischler, on May 4, 1990, from U.S. Customs Service, because we were requesting at that time to meet and confer concerning the ongoing investigation that we had to prove and establish in our civil case, the existence of a—

Senator KERRY. Well, what I am trying to get at. Some of these communications that you are referring to, seem to be requests for information. But in your testimony, you say as officers of the court we considered it our duty to bring these crimes to the attention of appropriate law enforcement agencies.

Mr. DOUGHERTY. Over the next 3 years we repeatedly notified the Customs Service, IRS, and U.S. attorneys offices of three districts of these crimes.

Finally, in frustration, I sent a letter to the Attorney General outlining the problem.

Senator KERRY. Was there any response with respect to those crimes, investigatively or otherwise?

Mr. DOUGHERTY. None—the only agency that contacted us for—that responded, was the Criminal Investigation Unit of Internal Revenue Service, which did subpoena portions of our records.

I do not know if the U.S. attorney's office New Orleans or Miami then referred the inquiries we made to IRS. But at all times, the only response that we ever received were subpoenas issued by the Internal Revenue Service.

Senator KERRY. Now you say you sent a letter to the Attorney General. What was the purpose of that letter?

Mr. DOUGHERTY. Senator, the purpose of that letter was subsequent to the request for a conference with Mr. Rosenblatt, which occurred in August of 1989. Because as I testified in my opening statement, that conference in which we laid out to him all of the information that we had acquired, in 1987, 1988, and through the summer of 1989, for the clear violations of Customs violations—all of the documents, money laundering, income tax violations. As far as Customs was concerned, and Mr. Rosenblatt, it was a paper case. It had no glitz. They were not interested in it.

It then became apparent that because of more information that we received in the summer of 1989, and in 1990, that the manner in which the bank moved money from Mr. Bilbeisi and his former partners, was a common method used by still other customers, whose records we had access to.

And we wish to use, under Federal Rule of Evidence 404(b), evidence of similar conduct. And here we are, with the bank about to leave the United States, and the records going, we're asking, in advance, the assistance of the Justice Department to initiate—if they're not going to file a RICO claim, to at least seize the records before the records go.

Senator KERRY. And they did not seize the records.

Mr. DOUGHERTY. They did not seize the records. They did not respond to the letter. And we—

Senator KERRY. Did records go? Did you lose records as a consequence?



Mr. DOUGHERTY. Senator, we believe so.

Senator KERRY. But you do not know.

Mr. DOUGHERTY. I don't know that. But I do know that a major fire took place in London, England, and a large source of those bank records were, quote "burned" about 3 months ago. I know that from speaking to various witnesses who have testified that bank records were moved out of Miami and Boca Raton back to England.

Senator KERRY. Do you have any of the letters that you sent to the various departments there?

Mr. DOUGHERTY. I provided them to your office, Senator. And we couldn't locate them yesterday. So I asked for an additional set. And they were sent yesterday, Federal Express. And they should be here now. I have the chronology of them, but we have a hard set for you.

Senator KERRY. What is the chronology? Do you have that on paper there?

Mr. DOUGHERTY. Yes.

Senator KERRY. Is the clerk here? Would you collect those? I would like to put those into the record at this time. And without objection, I would like to put the other documents into the record in sequence, as we get them now. And we will make those available.

[The information referred to follows:]

**INDEX OF LETTERS SENT TO JUSTICE DEPARTMENT OR CUSTOMS**

09/13/89	Dianne A. Zwicker District Director Department of the Treasury U.S. Customs Service 4430 East Adamo Drive, Suite 301 Tampa, Florida 33605
11/13/89	Lewis P. Carey, Jr. Assistant United States Attorney Department of Justice Southern District of Florida 155 South Miami Avenue Miami, Florida 33130
11/29/89	Dexter Lehtinen United States Attorney 155 South Miami Avenue Suite 1000 Miami, Florida 33130  Robert S. Siberski Special Agent in Charge U.S. Customs Service Airport Executive Center 2203 North Lois Avenue, Suite 600 Tampa, Florida 33607  John Volz United States Attorney Hale Boggs Building, Room 210 500 Camp Street New Orleans, Louisiana 70130
12/15/89	Charles F. Flynn, Esq. Assistant United States Attorney Judiciary Center, Room 4118 555 Fourth Street, N.W. Washington, D.C. 20001
04/30/90	Mark Jackowski Assistant United States Attorney 920 Zack Street Tampa, Florida

05/04/90	Bonnie Ticshler Department of the Treasury United States Customs Service 4430 East Adamo Drive, Suite 301 Tampa, Florida 33605
05/29/90	United States Customs Service Legal Counsel 909 S.E. 1st Avenue, Room 606 Miami, Florida 33131
05/30/90	Richard Keating Department of Treasury United States Customs 4430 East Adamo Drive, Suite 301 Tampa, Florida 33602
05/31/90	John Forbes United States Customs Services Smuggling & Investigative Division 13001 Constitution Avenue, Room 5408 Washington, D.C.
06/22/90	Andres Rivero Assistant United States Attorney United States Attorneys Office Southern District of Florida 155 South Miami Avenue Miami, Florida 33130
07/02/90	Sandy Francis Senior Special Agent United States Customs 108 Decatur Street New Orleans, Louisiana 70130
08/24/90	K. Brooks Thomas, Esq. Regional Counsel United States Department of Treasury United States Customs Service 909 Brickell Plaza, Suite 606 Miami, Florida 33131

<b>10/05/90</b>	<b>K. Brooks Thomas, Esq.</b> <b>Regional Counsel</b> <b>United States Department of Treasury</b> <b>United States Customs Service</b> <b>909 Brickell Plaza, Suite 606</b> <b>Miami, Florida 33131</b>
<b>12/12/90</b>	<b>Dexter Lehtinen</b> <b>United States Attorney</b> <b>155 South Miami Avenue, Suite 1000</b> <b>Miami, Florida 33130</b>
<b>01/19/91</b>	<b>United States Customs Services</b> <b>Smuggling Investigative Division</b> <b>R-5408</b> <b>13001 Constitution Avenue, N.W.</b> <b>Washington, D.C. 20229</b> <b>Attention: John Forbes</b>
<b>03/14/91</b>	<b>Office of the Regional Commissioner</b> <b>United States Customs Service</b> <b>South Central Region</b> <b>423 Canal Street, Suite 337</b> <b>New Orleans, Louisiana 70131-2341</b> <b>Attention: Robert Grimes</b>
<b>03/26/91</b>	<b>Andres Rivero</b> <b>Assistant United States Attorney</b> <b>United States Attorneys Office</b> <b>Southern District of Florida</b> <b>155 South Miami Avenue</b> <b>Miami, Florida 33130</b>
<b>03/28/91</b>	<b>Andres Rivero</b> <b>Assistant United States Attorney</b> <b>United States Attorneys Office</b> <b>Southern District of Florida</b> <b>155 South Miami Avenue</b> <b>Miami, Florida 33130</b>
<b>04/24/91</b>	<b>Mr. John Moscow</b> <b>New York District Attorneys Office</b> <b>One Hogan Place</b> <b>New York, New York 10013</b>

**05/20/91**

**Michael Rubenstein, Esq.**  
**United States Attorneys Office**  
**500 Zack Street, Suite 400**  
**Tampa, Florida 33602**

**06/19/91**

**Andres Rivero**  
**Assistant United States Attorney**  
**United States Attorneys Office**  
**Southern District of Florida**  
**155 South Miami Avenue**  
**Miami, Florida 33130**

**07/02/91**

**William Jung**  
**United States Attorneys Office**  
**500 Zack Street**  
**Tampa, Florida 33602**

**Jeanne Huetting  
Criminal Supervisor  
Clerk of the Court  
Criminal Division  
United States District Court  
611 North Florida Avenue  
Tampa, Florida**

**07/03/91**

**William Jung  
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Criminal Supervisor  
Clerk of the Court  
Criminal Division  
United States District Court  
611 North Florida Avenue  
Tampa, Florida**

**07/15/91**

**Andres Rivero**  
**Assistant United States Attorney**  
**United States Attorneys Office**  
**Southern District of Florida**  
**155 South Miami Avenue**  
**Miami, Florida 33130**

Mr. DOUGHERTY. Senator, I have some of the copies, and I have the index here. Richard provided them with me.

Senator KERRY. Well, if you could give us the index and the copies that you have—

Mr. DOUGHERTY. And if I could, here is the specific letter of December 12, 1990, with a copy to the Attorney General of the United States.

Senator KERRY. Could you read that? I would just be interested in what you said.

Mr. DOUGHERTY. Yes, this letter was written on December 12, 1990, to the U.S. attorney for the southern district of Florida, Dexter Lehtinen.

Senator KERRY. No, that is not the one I am talking about. I thought you said you had the one to the Attorney General?

Mr. DOUGHERTY. Yes, it shows a carbon copy.

Senator KERRY. Oh, I am sorry. All right.

Mr. DOUGHERTY [reading]:

Dear Mr. Lehtinen: I enclose for your review the following: One, a copy of my correspondence to you, and Robert S. Sibursky, U.S. Customs, Tampa, and John Voltz, United States Attorney, New Orleans, dated November 29, 1989, outlining the essential elements of the illegal activities involved in the above-referenced litigation, Exhibit No. 1. And we gave him all the records.

Two, a copy of the letter from the Secretary General of the Republic of Guatemala, and personal attorney to the President of Guatemala, dated December 7, 1990, seeking your assistance and cooperation in a matter of great importance to the Government of Guatemala. And that was a request to have Mr. Bilbeisi extradited to Guatemala if he came to the United States.

Three, a copy of an article appearing in the South Florida Business Journal for the week of November—October 1990, entitled Insurance Claims Reveal a Web of Intrigue: Former Boca Businessman, Bilbeisi in a Guatemalan Arms Deal, Coffee Smuggling.

In other words, we're waiving a red flag. Hey, here is a complete newspaper article outlining in simple form the entire caper. Five, a copy of the motion for summary judgment filed by Lloyd's, based on illegality. Judge Marcus has not yet set oral argument on the motion.

This motion reviews all of the classic elements of multiple violations of the U.S. Code, involving Customs violations—and I identify the Code sections—fraud, and false statements.

Why? I'm telling them that I know that the statute of limitations is going to expire.

Six, a—

Senator KERRY. And just to make the record clear, the statute of limitations did expire, is that correct?

Mr. DOUGHERTY. And then it subsequently expired.

Senator KERRY. Correct.

Mr. DOUGHERTY [reading]:

Six, a copy of a proposed RICO complaint, to be filed on behalf of my clients, seeking money damages for multiple RICO violations under Chapter 18, 1964. We have received a series of subpoena duces tecum to produce our files and all of our databases which have demonstrated clear, continuous, multiple instances of laundering of money instruments in violation of Title 18, all committed by various officers and employees of Bank of Credit and Commerce International.

We understand that this matter is presently assigned to your Assistant U.S. Attorney Andros Rovero.

As you are aware, Judge Hodges of the Middle District of Florida has sentenced bank officers of BCCI, after accepting from that bank an agreement entered into with the office of the U.S. attorney of the middle district, a \$15 million fine.

We, have uncovered still further evidence of money laundering, kickbacks, extortion attempts, and continuing, multiple violations of obstruction of justice made by

officers of the Bank of Credit and Commerce International, their attorneys and investigators here in Miami.

Since your office possesses the power to file or make recommendations of civil, investigative demands under Title 18, 1986 to expedite this matter, and under 1966 allowing the U.S. Government to recover money damages, we are requesting—underlined—an immediate conference to bring these matters to your attention.

And then I say in caps:

Prior to the further attempts of Bank of Credit and Commerce International to destroy records or remove records from the jurisdiction, as contemplated by the withdrawal of the bank from the State of Florida, before January 11, 1991, with a Federal Expressed copy of all of the records, and a shown copy of the letter to the Honorable Richard Thornburgh, Attorney General of the United States—to which we received no answer.

Senator KERRY. So you were never contacted for that meeting?

Mr. DOUGHERTY. We were not.

Senator KERRY. You never had that meeting?

Mr. DOUGHERTY. We never did.

Senator KERRY. Now there is a whole area of the coffee smuggling, and more on the arms. But I am going to accede to my colleague at this point. I have gone considerably longer than I intended.

Mr. DOUGHERTY. We have these letters here, Senator.

Senator KERRY. Those letters are now to be made part of the record. And we will put them in, in sequence, if the package is made available to the clerk.

[The information referred to follows:]

November 29, 1989

**Via Federal Express**

Mr. Dexter Lehtinen  
United States Attorney  
155 S. Miami Avenue  
Suite 1000  
Miami, Florida 33130  
Attn: Carol Wilkinson

Mr. Robert S. Siberski  
Special Agent in Charge  
U. S. Custom Service  
Airport Executive Center  
2203 N. Lois Avenue  
Suite 600  
Tampa, Florida 33607

Mr. John Volz  
United States Attorney  
Hale Boggs Building  
Room 210  
500 Camp Street  
New Orleans, Louisiana 70130

Re: Nicholas Collwyn Sturge vs. Coffee, Inc.  
Case No: 88-0125 Civ-Marcus

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Gentlemen:

I enclose for your attention, copies of the following pleadings filed in the above case which establish a prima facie showing of the existence of multiple federal crimes which have been committed both prior to and during the claim made against my client an Underwriter at Lloyd's of London seeking an excess of \$6,000,000.00 in damages. Coffee, Inc. through its president, Munther Bilbeisi, claimed that coffee beans purchased in El Salvador were switched in transit in three (3) shipments from Guatemala to Tampa, Florida, and that the beans were switched in transit as a result of which an insurance loss has been processed. This claim has been rejected and is



Mr. Dexter Lehtinen  
Mr. Robert S. Siberski  
Mr. John Volz  
November 29, 1989  
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Re: Nicholas Collwyn Sturge vs. Coffee, Inc.  
Case No: 88-0125 Civ-Marcus

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a subject of litigation and is being denied on the grounds of false swearing, misrepresentation and illegality in that not only the subject shipment but over 20 shipments between 1983 and 1986 were illegally shipped into the United States through fraudulent bills of lading and manifest.

I believe it is my obligation to bring to your attention what appears to be the formation of a criminal conspiracy beginning in 1983, which continues to date, to illegally import contraband coffee into the United States without the payment of necessary custom duties in the countries of origin, i.e., Guatemala, Honduras or El Salvador and, through the use of false bills of lading and other fraudulent document in violation of the United States code, to illegally import this coffee into the United States of America through the ports of Tampa, Miami and Port Everglades, Florida, as well as New Orleans, Louisiana. When the coffee reach the United States, it was re-bagged and sold, apparently according to the financial records of Coffee, Inc., in a manner which would probably violate substantial sections of the United States Internal Revenue Service Code.

We are also including copies of the affidavits executed by attorney Francisco Palomo in Guatemala, which have been filed with Judge Marcus and the Clerk of the United States District Court after this attorney, retained by me as set forth in the affidavit, had as witnessed by agents of the Drug Enforcement Agency, been solicited for bribery for release of work product records, at my request to establish the above continuance conspiracy to import contraband coffee. He was also requested to execute a false affidavit at the request of Mr. Bilbeisi. Mr. Palomo will be available in Federal Court tomorrow in Miami before Magistrate Peter Palermo and again upon your request, to corroborate these charges that involve Munther Bilbeisi as president of Coffee, Inc. who is presently in Amman, Jordan.

We previously brought this matter to the attention of an assistant United States attorney in Miami on October 27, 1989 and, had previously brought to your attention attempts to illegal distribute S76A helicopters and F5 jet fighters from Jordan to Guatemala through Munther Bilbeisi and his corporation Mura International, S.A.,

Mr. Dexter Lehtinen  
Mr. Robert S. Siferski  
Mr. John Volz  
November 29, 1989  
Page -3-

Re: Nicholas Collwyn Sturge vs. Coffee, Inc.  
Case No: 88-0125 Civ-Marcus

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during the years 1987 and 1988.

Sincerely yours,

James F. Dougherty, II

JFD/mb  
encls.  
ltr

December 12, 1990

The Honorable Dexter Lehtinen  
United States Attorney  
155 S. Miami Avenue  
Suite 1000  
Miami, Florida 33130

Re: Nicholas Collwyn Sturge v. Coffee, Inc.  
Case No: 88-0125 Civ-Marcus

Dear Mr. Lehtinen:

I enclose for your review the following:

1. A copy of my correspondence to you and Mr. Robert S. Silbersky, United States Customs, Tampa, Florida, and John Volz, United States Attorney, New Orleans, Louisiana dated November 29, 1989, outlining the essential elements of the illegal activities involved in the above-referenced litigation. (Exhibit 1).
2. A copy of a letter from Mr. Carlos Diaz-Duran, Secretary General of the Republic of Guatemala, S.A., and personal attorney to the President of Guatemala dated August 7, 1990 to you, seeking your assistance and cooperation in a matter of great importance to the government of Guatemala. (Exhibit 2).
3. A copy of an article appearing in the South Florida Business Journal for the week of October 29, 1990, entitled, "Insurance claims reveal web of intrigue. Former Boca businessman named in Guatemalan arms deal, coffee smuggling." (Exhibit 3).
4. A copy of an article appearing in the South Florida Business Journal for the week of November 19, 1990, entitled, "BCCI (Bank of Credit and Commerce International) closing last Florida branch office". (Exhibit 4).
5. A copy of the Motion for Summary Judgment filed by my client, Nicholas Collwyn Sturge, an underwriter at Lloyd's of London against Coffee, Inc. Based on Illegality, filed dated 11/16/90. Judge Stanley Marcus has not set oral argument on this motion. This motion reviews all of the classic elements of multiple violations of the United States Code involving Customs Violations, 18 U.S.C. §§541-551 and Chapter 47, §1001, fraud and false statements and Title 31, §5316. (Exhibit 5).

The Honorable Dexter Lehtinen  
United States Attorney  
December 12, 1990  
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Re: Nicholas Collwyn Sturge v. Coffee, Inc.  
Case No: 88-0125 Civ-Marcus

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6. A copy of a proposed complaint filed on behalf of my client, Nicholas Collwyn Sturge, seeking money damages for multiple RICO violations under Chapter 18, §1964. (Exhibit 6).

We have received a series of subpoenas duces tecum to produce our files and databases which have demonstrated clear, continuous multiple instances of laundering of money instruments in violation of Title 18, §§1956 and 1957, all committed by various officers and employees of the Bank of Credit and Commerce International. We understand this matter is presently assigned to Assistant District Attorney Andres Rivero.

As you are aware, Judge Hodges of the Middle District of Florida has sentenced bank officers of BCCI after accepting from the same bank through an agreement entered into with the office of the United States for the Middle District of Florida a multi-million fine.

We have uncovered still further evidence of money laundering, kick backs, extortion attempts, and continuing multiple violations of obstruction of justice made by officers of the Bank of Credit and Commerce International, their attorneys and investigators here in Miami and in London.

Since your office possesses the power to file or make recommendations of civil investigative demand under Title 18, §1968 and to expedite this matter under §1966 allowing the United States Government to recover money damages, we are requesting an immediate conference to bring these matters to your attention PRIOR TO THE FURTHER ATTEMPTS OF BANK OF CREDIT AND COMMERCE INTERNATIONAL TO DESTROY RECORDS OR REMOVE RECORDS FROM THIS JURISDICTION AS CONTEMPLATED BY THEIR WITHDRAWAL FROM THE STATE OF FLORIDA ON OR BEFORE JANUARY 11, 1991.

Sincerely yours,

James F. Dougherty, II

jfd/mb  
encs.  
1-lehtin.en3  
cc: The Honorable Richard Thornburg  
Attorney General  
United States of America  
Department of Justice  
Washington, D.C. 20530

July 2, 1990

**Via Federal Express**

**Ms. Sandy Francis  
Senior Special Agent  
United States Customs  
108 Decatur Street  
New Orleans, LA 70130**

**Re: Nicholas Collwyn Sturge v. Coffee, Inc.  
Case No: 88-0125 Civ-Marcus**

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**Dear Ms. Francis:**

**Enclosed please find the following with regard to the above-reference litigation:**

- 1. A copy of my correspondence to Messr. Dexter Lehtinen, Robert S. Sibersky and John Volz outlining the essential elements of the illegal activities involved in the above-referenced litigation.**
- 2. An internal memorandum explaining the illegal smuggling operation of coffee from Central America into the United States.**
- 3. Copies of Jay Anthony Aramburo's 11/7/89 depositions taken on 11/7/89, 11/16/89 and 11/17/90 and summaries thereto with regard to the above-referenced litigation.**

**Please review these documents at your earliest convenience. I look forward to hearing from you so that we may discuss same.**

**Very truly yours,**

**James F. Dougherty, II**

August 7, 1990

The Honorable Dexter Lehtinen  
United States Attorney  
155 S. Miami Avenue  
Suite 1000  
Miami, Florida 33130

Re: Nicholas Collwyn Sturge vs. Coffee, Inc.  
Case No: 88-0125 Civ-Marcus  
Our File No: 7539

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Dear Mr. Lehtinen:

I am seeking your assistance and cooperation in a matter of great importance to the government of Guatemala. We have presented to you under separate cover an order issued by the Republic of Guatemala for the extradition of Munther Bilbeisi, pursuant to the Bilateral Treaty of Extradition between the United States and the Republic of Guatemala entered into force March 13, 1941 (55 Stat. 1097), and the Multi-Lateral Convention on Extradition entered into force for the United States on January 25, 1935 (49 Stat. 3111). This order was issued incident to Mr. Bilbeisi's participation in a scheme to smuggle coffee valued at several million United States dollars from Guatemala into the United States during the years 1983 through 1988. Mr. Bilbeisi accomplished this scheme through the use of three or more wholly owned and controlled entities under the jurisdiction of the United States courts, including but not limited to Coffee, Inc., Orion Systems, Inc. and Mura International, S.A. In addition, the scheme involved the cooperation of and illegal payments, bribes and/or kickbacks to agents or employees of various third parties under the jurisdiction of the United States courts, including financial institutions, shippers and coffee roasters. The scheme was financed through the knowing participation of the Bank of Credit & Commerce International (Overseas) Ltd. The financial loss the Republic of Guatemala attributable to this smuggling scheme is in excess of \$1 million U.S. dollars.

The Honorable Dexter Lehtinen  
United States Attorney  
August 7, 1990  
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Re: Nicholas Collwyn Sturge vs. Coffee, Inc.  
Case No: 88-0125 Civ-Marcus  
Our File No: 7539

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In addition to illegally depriving the Republic of Guatemala of tax and customs revenues, we have been informed that the above-referenced coffee smuggling scheme was conducted in violation of several United States law. Because Mr. Bilbeisi has little if any assets located in Guatemala, we are obviously concerned as to the possibility of restitution of revenue stolen from the Republic of Guatemala. In view of the possible violations of the United States law, combined with the loss to the United States Treasury of substantial revenues and customs duties, we believe that the mutual interests of our respective governments coincide and would be served by the filing of a criminal action against Munther Bilbeisi, Coffee, Inc. and BCCI, as well as through cooperation in a civil action to be brought by the Republic of Guatemala against these same parties.

I look forward to hearing from you as soon as possible.

Sincerely,

Carlos Diaz-Durant  
Secretary General  
Republic of Guatemala, S.A.

RAL:ab:jc  
7539\letters\l-Lehtin.1

January 19, 1991

U.S. Customs Services  
Smuggling Investigative Division  
R-5408  
13001 Constitution Avenue, N.W.  
Washington, D.C. 20229

Attn: Mr. John Forbes

RE: Sturge v. Coffee, Inc.  
Our File No. 7539

Dear Mr. Forbes:

It has been more than six months since we have requested U.S. Customs Offices in New Orleans, Tampa and Miami, Florida to supply us with entries for coffee which arrived in 1983 through 1986 imported by Coffee, Inc., Orion Systems, Mura International and Cornishe, Inc. As of this date, we have not received any records.

For your information I am enclosing copies of two U.S. Customs forms obtained from Coordinated Caribbean Transport ("CCT") (a/k/a Crowley Caribbean Transport) showing changes in destinations of the coffee (i.e. from Jordan to Honduras), proving how Mr. Munther Bilbeisi together with his associates Steve Calderon (Vice President of CCT), Jose Otano (Operations Manager for CCT) and Joseph Villaba (In Bound Manager for CCT) were manipulating the shipping company and the United States Customs Service to smuggle non-quota coffee into the United States in violation of International Coffee Organization ("ICO") Rules and Regulations and U.S. Customs laws.

We would appreciate your directing us to the appropriate department to provide these necessary documents. If you require any additional information in order to expedite this request please do not hesitate to contact us.

Very truly yours,

JAMES F. DOUGHERTY II

JFD/cd  
Enc.  
7539/letters/forbes



**Re: Federal Grand Jury Subpoena**

**700LETTERSVERO.4**

Senator KERRY. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

I am not sure if Mr. Dougherty or Mr. Lehrman is the appropriate one—just to backtrack a bit—an end-user certificate is required by U.S. law for the export of arms?

Mr. DOUGHERTY. For the export or the reintroduction, or the subsequent sale of a U.S.-made weapon, yes.

Senator BROWN. So there is three requirements here: if it is exported, or if it is reworked, or if it is resold, U.S. law requires an end-user certificate.

Mr. DOUGHERTY. That's my understanding of the United States law.

Senator BROWN. And thus, review by munitions control and approval of that sale.

Mr. DOUGHERTY. That's correct, Senator.

We keep track on our major weapons, so that the movement or subsequent sale of them will not interfere with the State Department policy, or the policy of the U.S. Government.

Senator BROWN. Now in this instance, Jordan was interested in selling arms through this agent, to Guatemala?

Mr. DOUGHERTY. Yes.

Senator BROWN. What obligates Jordan to obtain an end-user certificate, or seek U.S. approval to resell those U.S. arms?

Mr. DOUGHERTY. As I understand, if it's a direct, government sale by the Hashemite Kingdom of Jordan to the Republic of Guatemala, the seller, Jordan, would be required to obtain State Department approval of the sale.

Senator BROWN. And how required?

Mr. DOUGHERTY. It's mandatory.

Senator BROWN. They have agreed, as a condition of getting the certificate themselves?

Mr. DOUGHERTY. At the time of the original, or initial sale of the Sikorsky S-76's, as any major American made weapon, they are obligated—the recipient of the weapon—to confirm and acknowledge that upon the resale of that equipment, there must be an end-user certificate. And that sale must be done with State Department approval.

Senator BROWN. Now in this case, Jordan did not obtain that certificate.

Mr. DOUGHERTY. To our knowledge, it did not.

Senator BROWN. And did not—as far as we know—even apply for it?

Mr. DOUGHERTY. To our knowledge, it did not. The Munitions Control Board has no record of those records. They did a records search and represented that there are no such records.

Senator BROWN. So what we have here, is Jordan, has violated its agreement with the United States with regard to the resale of U.S. arms, and BCCI appears to have entered into a conspiracy to violate—or at least to accommodate the noncompliance with that agreement.

Mr. DOUGHERTY. That's correct.

And there's one other factor—at the time, Senator, that that was being processed, Munther Bilbeisi owed BCCI over \$3.5 million,

plus interest, for this overdraft facility where he could write all the cashier's checks to buy the coffee.

In other words, Bilbeisi, in debt to the bank, Coffee, Inc., owed the bank, in 1987, \$3.5 million—with interest. And there are, in the files, repeated demands to pay the money or your security in Jordan will be forfeited. The security is not forfeited.

It is much like a person who is in debt to a lender, then goes to the lender and enters into an arms transaction?

Senator BROWN. What was the security that Bilbeisi had tied up in Jordan?

Mr. DOUGHERTY. They were a series of CD's, which ultimately the bank did call upon, and which were paid. So that the security in certain banks in Switzerland, or in France, or in Jordan, were paid to BCCI, Miami, leaving an unpaid difference of approximately a \$5 million.

Mr. LEHRMAN. Senator, could I just add to that? The security was basically a bank guarantee issued by BCCI, Amman. We found a substantial level of correspondence between BCCI, Miami, and BCCI, Amman. And so all of the arms deals and all of the coffee smuggling took place, essentially financed by BCCI, Amman—although all the documentation purports to show that it was conducted through a BCCI, Miami account.

And, in fact, Ex-Im Bank, to a certain extent, financed the sale of the three helicopters.

Senator BROWN. How could Ex-Im Bank finance something and not insist on an end-user certificate?

Mr. DOUGHERTY. By the use of the euphemism, quote "civilian helicopters" I would assume. There was constant—

Senator BROWN. The sale was represented as a non—as being exempt from the end-user certificate requirement.

Mr. DOUGHERTY. Apparently, that these were, at all times, civilian helicopters, used by the King with mahogany, and they were alternatively to be used for three helicopters, sold to the Republic of Guatemala for \$5 million, as alternately ambulances. And that was their true intention.

Mr. VALLS. May I add something, Senator?

Senator KERRY. What shows that BCCI knew that? That's a key question.

Mr. DOUGHERTY. We have the bank files, that would indicate that there, from the exhibits that you have, that we have here, previously, the bank was aware during coffee smuggling that there was an absolute requirement from the Munitions Control Board that there be proper certificates for an arms transaction. We have that.

So they knew in 1984, and 1985, the necessity for United States approval.

Mr. LEHRMAN. Senator, if I could amplify that by directing you to enclosures, and to the exhibits in enclosure No. 1—there was a handwritten memo—

Senator KERRY. Just hold on one second. We are going to get those for Senator Brown and myself so we have them. [Pause.]

Senator BROWN. This is the memo that involves a handwritten note that they felt they did not have an obligation to notify the U.S. Customs Service?

Mr. LEHRMAN. That is correct.

Senator BROWN. If, for illegal activity, unless it related to arms or drugs?

Mr. LEHRMAN. That is correct.

I direct your attention to the chart closest to you, which is a handwritten memo, signed by Grace Perez. That is the second page of a handwritten memorandum on top of a letter from Munther Bilbeisi—show page 1.

In the course of smuggling the coffee, which was done through these documentary letters of credit, Mr. Bilbeisi was constantly advising the bank to, at the last minute, change the destination from Agaba, Jordan, to Miami.

Finally, one of the bank officers who was apparently out of the loop, handwrites a memo, on top of Mr. Bilbeisi's request, to change the letter of credit to reflect a different destination—that is, Miami, Florida, rather than Agaba, Jordan. And this bank officers says, in effect, it's not—

Senator KERRY. Why do you not read it, precisely what the bank officer says?

Mr. LEHRMAN. In the bank officer's handwriting, it says, as per regulations of the U.S. Customs, all coffee imports into the U.S.A. are subject to validated release by U.S. Customs, and inspection by the U.S. Food and Drug Administration, as per Article 8(a) of the ICC publication—and it references a specific publication. Quote, "In documentary credit operations, all parties concerned deal in documents, and not in goods. I have consulted with my counterpart in other New York banks, and they are of the view that it is not the bank's duty to monitor quotas. If a nonquota item is entering the U.S.A., it is U.S. Customs who will hold or release goods, \* \* \*"

The second page of the document is a memo dated the next day, that indicates this bank officer spoke to someone in New York from the Council International building, who confirms that quote, "Banks are not to monitor or to be responsible for quotas of commodity. That it is the importers—in this case Mr. Bilbeisi's responsibility. And that in our security agreement, it stipulates that they assume this responsibility to meet U.S. Customs laws and regulations." Quote, "The only commodity we should be aware of is that of arms and explosives."

Senator BROWN. In other words, if the bank is aware of shipments that violate U.S. law, their position was that they had no obligation to advise U.S. Customs of that violation.

Mr. LEHRMAN. According to this memorandum, that was the position of this bank officer.

Senator BROWN. Let me take you back, if I could, on the arms shipment.

Arms were sold to Jordan. They obtained an end-user certificate. And Jordan agreed to obtain an end-user certificate, if it resold those arms.

Mr. LEHRMAN. As a condition of purchasing those arms.

Senator BROWN. As a condition of purchasing.

Jordan, through a criminal agent, and in conspiracy—in concert, I guess, with BCCI, resells those arms without an end-user certificate.

Mr. LEHRMAN. That is correct.

Senator BROWN. There is evidence to show that BCCI and the agent, and Jordan were aware of the fact that they had not had an end-user certificate in selling that.

Mr. LEHRMAN. Yes.

Senator BROWN. Is there any indication that Guatemala was aware of the fact that they were buying arms without an end-user certificate?

Mr. LEHRMAN. Yes.

Senator BROWN. Does the State Department, to your knowledge, raise this issue with the Governments of Jordan and Guatemala?

Mr. LEHRMAN. Not to our knowledge.

Mr. DOUGHERTY. Excuse me, Senator Brown.

To our knowledge, the Customs agent in charge of it, Jeffrey Martin from U.S. Customs in West Palm Beach, had a meeting with the assistant U.S. attorneys in Miami, and recommended criminal action.

And the reason I know that, is that from the same airport where the 18 Sikorsky helicopters were—12 of which were to go to Guatemala; 3 of which did go to Guatemala—3 of the same S-76 helicopters were from the same group, same airport, same manufacturer—attempted to be sold in 1989 to the Government of Iran.

And an Englishman by the name of Colin Breeze attempted to take those helicopters, had them changed to gun-ships, and sold to Iran, and work was to be done in the United States. Colin Breeze came to West Palm Beach, FL, and he was arrested. And, by coincidence, he was tried before Judge Stanley Markus. And after a jury trial, and he was convicted, he was sentenced to at least 10 years in prison.

And Jeffrey Martin testified in court. And since they were the same helicopters that came from Jordan—and they were going to Guatemala—we were interested to see the actual people who were testifying in front of the same, federal judge. And the individual from the State Department, Munitions Control Board testified, together with Jeffrey Martin.

So, here we have—although it was a clear, clear violation of the United States law, that American made helicopters are going to Iran, for which a person was arrested, we had the issue then, was their compliance when the same helicopter is going from Jordan, the same batch, was going to Guatemala.

So it became clear that at least the agent charged with the Breeze indictment, who became involved in the Bilbeisi investigation, felt strongly enough to state to the assistant U.S. attorney that an indictment take place, but it never happened.

And at all times, and during 1988, certainly, the U.S. attorney's office was aware, from the correspondence that you have, of the combination of Bilbeisi and the bank—the bank financing the helicopters; the bank financing the smuggled coffee. And nothing happened.

Senator BROWN. Mr. Chairman, I would like to ask unanimous consent at this time that this subcommittee ask the staff to prepare a letter for the signatures of this subcommittee, addressed to the Secretary of State, reviewing the evidence of the violations of—the apparent violations of the agreements under arms control pro-

cedures, by Jordan and by Guatemala, and asking for a State Department investigation of this report, and appropriate followup with the governments involved.

Senator KERRY. I think that is a very good idea. I think it's appropriate. And without objection, it is so ordered. And we will do so.

Senator BROWN. With your permission, Mr. Chairman, I would like to proceed just briefly—the coffee aspect of this.

Senator KERRY. Absolutely, that is an area that we want to get into. But just before you leave the arms area, may I ask for your indulgence and for you to yield to me for just a minute? I want to complete just one thing on the arms.

In packet No. 2, defendant's Exhibit No. 10, as is labeled within that packet—excuse me, it is packet No. 3, not 2—in packet number No. 3, defendant's Exhibit No. 10, there is a memorandum to a Munther Bilbeisi from Alberto Coppo.

Would you explain to the committee what that memorandum is, and what it purports to set forth?

Mr. DOUGHERTY. Yes, Senator, in one of the three cases involving Munther Bilbeisi, the fine arts claim in West Palm Beach, continued demands were made to have Mr. Bilbeisi's counsel, and Mr. Bilbeisi—who had fled to Jordan last summer—produce records to establish that he was an arms dealer.

Finally, his latest attorney, Mr. Arthur Coski, in Palm Beach, filed a series of documents in which this was contained. This document is a memorandum prepared by Alberto Coppo, who was a vice president of Mura International. And it was sent to Mr. Bilbeisi. And it's contained in the discovery requests, showing correspondence between Mr. Bilbeisi and his employees under the name Mura.

And it describes what occurred in October 1988, when Mr. Bilbeisi was in the process of sending, at his own personal expense, an entire delegation of the Guatemalan air force, from Guatemala, through Miami and New York, to Amman, Jordan. And he paid for that, so that the Guatemalans could inspect both the helicopters and the jet fighters.

The memo states: Please be advised of the following; the purpose of the Guatemalan Technical Commission is to inspect the three units that were purchased in the contract with Bilbeisi's company, Mura International. In parenthesis, they will also inspect the ten units they intend to buy. One, Royal Jordanian Air Force 719, VIP, King's personal helicopter—King Hussein's; two, Royal Jordanian Air Force VIP with low hours in good condition; and three, a medical ambulance.

These three must be ready for inspection and testing by Commission—that is, the Guatemalan Commission—and they can already be painted or done during the time the Commission is there. Also needed is the list of spare parts, with the price covering \$1,375,000. We can include, in the list, ground support equipment, tools and any equipment necessary.

To collect our money, we need to have Royal Jordanian Air Force prepare, Senator Brown, a bill of sale transferring property—three units—from the Royal Jordanian Air Force to the Republic of Guatemala.

Next paragraph—regarding the assignments, we have already covered the following—we have already covered the following—\$400,000 to BCCI, in parenthesis (M.B.)—\$200,000—

Senator KERRY. What does M.B. stand for?

Mr. DOUGHERTY. Well, it stands for Munther Bilbeisi. And the question is, what was going to be done with the \$400,000? We know now what happened with the money in Guatemala. And the question is, was any of that money distributed by Mr. Bilbeisi to members of the Royal Jordanian Air Force, as it was distributed to members of the Republic of Guatemala?

To the President's brother, Milton Cerezo \$270,000—the President's brother is referring to context, and the President's brother referring to the republic of Guatemala; \$17,500 to J. Valdez; \$150,000 to Mauricio Coronado, M.D. and Luis Altamar.

Senator KERRY. In terms of this transaction, what does that mean?

Mr. DOUGHERTY. Valdez was then an employee, or a member of the Guatemalan Commission. Coronado and Altamar were the original brokers on the deal, who Mr. Altamar had smuggled the coffee for Mr. Bilbeisi in Honduras and Guatemala, in 1985-87, and Coronado was the former Consul of Guatemala, to Miami, who worked with Mr. Altamar to put this deal together.

Senator KERRY. Could that have been a legitimate broker fee to them?

Mr. DOUGHERTY. In the opinion, could that be a legitimate broker fee? Well, that was their confirmed piece of the action. That was what they demanded in order to introduce the Bilbeisi crowd to the Guatemalans.

Senator KERRY. Well, that is often paid for, isn't it?

Mr. DOUGHERTY. That is, that is a frequent, much like a real estate broker commission. Two people agree as to what the commission—

Senator KERRY. So it is not necessarily anything of—

Mr. DOUGHERTY. An illegal nature?

Senator KERRY. That.

Mr. DOUGHERTY. No.

Senator KERRY. No, but obviously, of great interest is the payment to the president's brother, the payment to BCCI, and subsequent to that, the payment to two generals, correct?

Mr. DOUGHERTY. Yes, still needed to be paid, \$517,000 to the Bank of Guatemala for performance bond. And then it states, \$150,000 to the two generals. That is a crime in Guatemala, and a separate representative of the Republic of Guatemala has traveled here, and has the criminal indictments that have been filed against the former president of Guatemala, his brother, and the generals, as well as the subsequent new indictments filed against Bilbeisi, for unpaid coffee customs duties.

[The information referred to follows:]



## MEMORANDUM

*Sife  
Office*

FROM Grace Perez  
LOCATION Letters of Credit Dept.  
DATE January 22, 1985  
REF. Orion Systems  
SUBJECT: Panama

TO: Advances Dept.  
~~Letters of Credit Dept.~~ Letters of Credit Dept.

The following are procedures which are to be followed as per instructed by Mr. Sakhia and under no circumstances are we to deviate from this without prior consent from Mr. Sakhia.:

- 1) All transactions are to be made under Orion Systems (Panama) no transactions are to be made under Coffee Inc.
- 2) All transactions are to be fully collateralized under the guarantee or cash collateral.
- 3) Destination is not to be shown if it is not to the USA.





## CARIBBEAN REGIONAL MARKETING CONFERENCE

4/8/84 Spoke to Vicente Mandella of the Council Int'l Bkg. 212-623-2541 who confirms that banks are not to monitor or to be responsible for quotas of commodity that it is the importer's responsibility and that in our security agreement it stipulates that they assume this responsibility to meet US customs laws & regulations. The only commodity we should be aware of is that of arms and explosives.

*Yan Ferry*

In view of the opinion expressed by Council of International Banking, a letter of indemnity may be issued.

*W. L. H. H. H.*

**COFFEE INCORPORATED**

May 23, 1984

THE BANK OF CREDIT AND COMMERCE INTERNATIONAL (Overseas) LTD.  
 1200 Brickell Avenue  
 Miami, Florida 33131

Attn: Mr. Zaeed Sakrani

Dear Mr. Sakrani:

I am enclosing herewith, post-dated checks to be deposited in our account with you. These checks total \$950,000.00 (Nine Hundred and Fifty Thousand Dollars), and have been issued against checks and Purchase Orders.

The above-mentioned post-dated checks are as follows:

<u>CHECK#</u>	<u>DATED</u>	<u>AMOUNT</u>	<u>ISSUED AGAINST</u>
1816	June 1, 1984	\$300,000.00	James W. Phyfe & Co./ Brokers for Farmers Bros., California-P.O.# 3398 totalling \$355,502.52
1817	June 6, 1984	\$150,000.00	Chase and Sanborn
1818	June 12, 1984	\$200,000.00	James W. Phyfe & Co. P.O. #3405 for \$311,203.53
1819	June 15, 1984	\$150,000.00	Chase and Sanborn
1820	June 22, 1984	\$150,000.00	Chase and Sanborn

We have instructed Messrs. Chock Full of Nuts to wire transfer directly to our account with you the value of of three invoices, #303 for \$151,368.00, invoice #304 for \$57,283.20 and invoice #305 for \$652,080.00.

These payments are due before the 10th of June, 1984, and are to be directly wire transferred to your bank.

Sincerely,



Munther Bilbeisi  
 COFFEE INC., President  
 MB/ss  
 enc

RCA APR 26 1023+  
264089 MURA UR  
8033 CITCR CR  
APRIL 26TH, 1984 TELEX NO. 017/84

TO: COFFEE , INC.  
FROM: FINANCIERA DEL ATLANTICO, S.A.

ATTN: MR MUNTER BILBEISI  
RE: DOCUMENTARY CREDIT IMP-140/84 OF ECCI-MIAMI , ADVISED THROUGH  
U.B.S. (PANAMA) INC.

AS OUR COFFEE SALES TO YOU WERE FOR COUNTRIES NOT MEMBERS OF THE  
I.C.O. THE ABOVE MENTIONED L/C HAS TO BE AMENDED TO COMPLY  
WITH THE FOLLOWING POINTS:

- 1) AS WE HAVE NOTHING TO DO WITH INSURANCE WE WOULD GLADLY  
PROVIDE A PHOTOCOPY OF OUR TELEX SHIPPING ADVICE BUT CANNOT  
PROVIDE A "CERTIFICATE TO THIS EFFECT".
- 2) -THE CERTIFICATE OF ORIGIN WILL BE ISSUED BY THE CHAMBER  
OF COMMERCE.  
-IT WILL NOT REPEAT NOT BE CERTIFIED BY INCAFE.  
-IT WILL NOT REPEAT NOT BE ACCOMPANIED BY ICO STAMPS.
- 3) A QUANTITY CERTIFICATE BY INCAFE WILL NOT REPEAT NOT BE  
PROVIDED AS THE PACKING LISTS ALREADY CONTAIN THIS INFORMATION.  
PLEASE ADVISE.

REGARDS  
ARTURO LINDO

8033 CITCR CR  
+  
264089 MURA UR



DEPARTMENT OF THE TREASURY  
UNITED STATES CUSTOMS SERVICE

## MEMORANDUM OF INFORMATION RECEIVED

3900-05, PAFM

1. DATE June 15, 1983
2. ORIGINATING OFFICE CONTROL NO. H100AR340010
3. SYSTEMS ID NUMBER

TECS QUERY  
☒ YES ☐ NEG

4. RELATED CONTROL NUMBERS

## INFORMATION TOPIC

\* Illegal introduction of coffee into the U. S. Commerce

INFORMATION HAS BEEN RECEIVED THAT:

Coffee importations not covered by the International Coffee Organization quotas are received at the ports of Miami, Jacksonville, Port Everglades, Houston, New Orleans and New York, in transit to countries not members of ICO. Shipments are then diverted and sold in the U. S. Market.

ACTION TAKEN: Investigation initiated in conjunction with Customs Inspectors at Miami.

UNDEVELOPED LEADS: Pending additional information being developed.

OFFICE INDICES QUERIED: Negative

ACTION TO BE TAKEN BY ISS/TECS: Create a permanent record on all subjects listed in this report.

IDENTIFYING DATA/TECS QUERY:

Munther BILBEISI  
l, dark complexion, heavy build  
DOB: 072330  
Res: 701 Sanctuary Drive  
Boca Raton, Florida

Alleged

NR TECS

Jose A. OTANO, aka Tony  
M/M. POB: Cuba  
Occup: Ops Manager for  
CCT Shipping Line

Alleged

NR TECS

Jose VILLALBA, aka Joe  
M/M, about 50 yrs of age,  
5'6", slim, bald, lt. colored eyes  
POB: Puerto Rico  
Occup: Traffic Mgr for CCT Shipping Line

Alleged

NR TECS

## ADMINISTRATIVE INFORMATION BELOW FOR CUSTOMS USE ONLY

8. SOURCE NAME OR NUMBER John Lewis	9. DATE AND TIME INFORMATION RECEIVED 6/14/83
10. SOURCE ADDRESS Miami, Florida	
11. ORIGINATING OFFICE SAC/MI	12. SIGNATURE OF OFFICER RECEIVING F. Gonzalez Senior Special Agent
	13. REVIEWED OFFICER Larry M. Morphis Jr. Gordon Supervisor
	DATE 6/15/83

14. DISTRIBUTION  
ORIGINAL - Originating office  
1st Carbon Copy -  
2nd CC - LESD  
3rd CC -  
4th CC - Local Of

(Customs Action Office)

AREA SAC/MI; ARC(E)/MI; DO/MI (FPAP)

(Outside Agency)

SAC/NO:SAC/JX:SAC/NY:SAC/SJ:SAC/HO  
HQ/E:I & Coffee Control/ISS/TECS

DEFENDANT'S  
EXHIBIT  
4

UNITED STATES GOVERNMENT  
**Memorandum**

DEPARTMENT OF THE TREASURY  
UNITED STATES CUSTOMS SERVICE



DATE: June 22, 1983

FILE: M108AR340010

TO : Special Agent in Charge  
Thru: Group Supervisor, Group II *Lmm*

FROM : Senior Special Agent Gonzalez  
Group II

SUBJECT: Technical smuggling of green coffee in violation of the  
International Coffee Agreement. (P.L. 96-599 of 12/24/80,  
28 UST 6401)

Information received at this office indicates that large quantities of green coffee beans are being illegally entered into the commerce of the United States in the following ways:

1. Counterfeit or otherwise false certificates of origin are used in support of importations entered for consumption in the United States. Investigations at several ports, with the cooperation of the International Coffee Organization (ICO) have verified that this method is widely used.

Under this method, the information specifically indicates that coffee produced in Honduras and Guatemala in excess of the quota is normally sold at about 65¢ per lb and shipped to Panama where it is repacked in Colombian bags and shipped to the U. S. under false certificates of origin illegally obtained, already stamped, from the Coffee Growers Association of Colombia. False Colombian certificates are freely sold in Panama for about 10¢ per lb of coffee covered by the stamps on the back of each certificate. (Sample of false certificates are available in this office.) From Panama, coffee is shipped to Houston, New Orleans and Miami; sometimes it is first shipped to Jamaica, Haiti, and other Caribbean islands.

2. Coffee is normally packed for shipment in 70 kgs (154 lbs) bags and in 50 kgs (110 lbs) bags which are then shipped in 20 and 40 ft containers. It has become a standard procedure to declare in the bills of lading and, hence, in the cargo manifest of the importing vessel, approximately half of the actual net weight of the coffee in the container.

Coffee not covered by ICO certificates is declared in the bills of lading and cargo manifests as in transit to other countries, mostly to Akaba, Jordan; Jeddah, Saudi Arabia; and most recently to Spain. Immediate Exportation entries are filed with U. S. Customs and the coffee containers are released in bond under the custody of a bonded carrier. Once in the warehouse, coffee is unloaded from the container, in the local market. Since exportation is



-2-

not verified by Customs, containers allegedly containing coffee are shipped to the above mentioned countries. The containers are either empty or contain other small value merchandise.

4. The illegal coffee trade has become a multi-billion dollar business. In Guatemala, which is a small country, coffee production in 1983 exceeded the quota by 500,000 bags, of which by the end of May 475,000 bags had already been shipped to the U.S. and illegally entered into the U.S. market.

Large quantities of coffee will come into the U.S. before July 1, 1983, date on which the penalty for not filing ICO forms with imports into the U.S. will go up from 10% to 40%. Also on that date the color of the ICO stamps will change and the present certificate will not be acceptable.

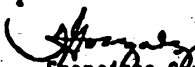
The investigation has disclosed that large shipments of coffee in containers have recently come into Miami and are presently on the docks in Dodge Island. Most of it is being taken out of the docks under I.E. entries. In a few shipments, the containers have been weighed and/or the bags in them have been counted. The contents have been found to be grossly understated in the bills of lading and cargo manifests. Customs controls of IEs have been reduced to an honor system where the responsibility for exporting the goods is placed on the carriers, bonded warehouse operators and importers. Exportations are not verified. In one instance, coffee was removed from pier to exporter's warehouse without an entry being filed. Also, three I.T. entries checked had not been delivered at destination and the coffee covered is still in the warehouse of the carrier. the Coordinated Caribbean Transport (CCT). CCT officials explained they are in the process of filing I.E.s to cancel the I.T.s.

Under the circumstances it is nearly impossible to enforce the International Coffee Agreement. If serious enforcement action is to be taken, I suggest that the following emergency measures be immediately adopted at all ports where coffee is being imported:

- a) that all coffee containers be weighed or otherwise verified before they are released from the piers at port of importation. Significant excesses in declared quantities should lead to seizure of whole shipment. (Then, seizures should be sold at auction immediately as perishable merchandise. Shipments seized and returned to importer on the condition that coffee be exported out of the U.S., are known to have been brought back into the country and illegally sold here.)
- b) Coffee containers under I.E.s should remain in port until they are reexported, and importer of record should notify Customs three days previous to loading unto exporting vessel.

-3-

Containers should be sealed with Customs seals and no manipulations should be permitted without Customs supervision (costs to be paid by requesting importer).

  
Francisco Gonzalez

WSJ/E NOV. 14-83

## U.S. Crackdown on Coffee Smuggling Helps Boost Bean Prices to High for 1983

By KATHLEEN A. HUGHES  
Staff Reporter of THE WALL STREET JOURNAL

The federal government is cracking down on coffee smugglers, and that is helping to boost the price of coffee beans.

The Customs Service says it has seized so far this year about \$26 million of coffee beans imported in violation of a coffee price-support accord, the International Coffee Agreement.

The crackdown is a factor pushing U.S. wholesale coffee prices to \$1.65 a pound, an increase of 14% since August and the highest level this year. Other factors speeding the rise include a strong seasonal pickup in demand by roasters, a drawdown in warehouse stockpiles and a shortage of high-quality beans. The increase soon may boost retail coffee prices.

The Customs Service acted after surplus coffee, much of it dumped on world markets by cash-short Third World producers, began to enter U.S. markets in significant quantities. The U.S. is a party to the International Coffee Agreement, an accord of 73 coffee producing and consuming nations. The agreement has supported coffee prices in participating nations at a minimum of \$1.20 a pound for the past two years by limiting exports and imports.

Recently, the price of coffee beans traded outside the agreement's jurisdiction sagged as low as 50 cents a pound. That price difference has led some dealers to buy low and sell high—illicitly. One of the most common practices is to move low-priced coffee into member countries, using forged documents. Other tactics are bribing customs officials and using misleading labels on coffee bags, such as "corn," traders say.

The Customs Service is investigating more than six individuals or firms, one official says. The department earlier this month seized 21,000 bags containing about 2.7 million pounds of mislabeled coffee, valued at about \$4 million at current U.S. prices, in New Orleans, he said. He wouldn't disclose the dealers involved in the smuggling.

Most of the seizures occurred in New Orleans and Miami, the U.S. ports closest to Central American coffee-producing nations

where much of the coffee originates, traders say. The department also has seized contraband coffee in New York and San Francisco. Officials didn't specify how many pounds of coffee were seized; adding that the \$26 million total included beans valued at different prices per pound.

The crackdown has helped boost coffee prices because buyers who relied on illegal imports now are forced to turn to legal markets, spurring demand. "A lot of small roasters depend on contraband coffee," says Guillermo Sarmiento, vice president of Ace American Inc., a commodity brokerage concern in Miami. "But now that the Customs department has become very stringent, that flow has been cut in half."

The effort to reduce smuggling isn't limited to the U.S. The International Coffee Organization, which oversees administration of the coffee agreement, recently slapped more-stringent documentation requirements on coffee exports, fearing that smuggling would undermine the agreement.

Under the new rules, a coffee-producing nation must document sales to nonmember coffee importers within 30 days. The documentation must prove to the coffee organization that the low-priced beans arrived at the proper destination and weren't diverted illegally to a member nation.

The joint effort is expected to reduce illegal imports as much as half, dealers estimate. About 250 million pounds of beans valued at \$312 million were smuggled into member nations last year, dealers say.

Analysts expect coffee prices in the near term to climb probably no higher than \$1.50 a pound, an increase of less than 3% from current levels. Weather problems in Brazil and delayed shipments from the Ivory Coast, among other things, have pushed prices higher recently. If coffee prices should continue to climb, the International Coffee Organization probably would authorize increased exports under the agreement, moderating the rise.

Developing nations with heavy debt loads rely on the coffee agreement to maintain coffee export revenue.





# P. NETWORK

Research and Investigative Journalism

## THE WALL STREET JOURNAL EUROPE.

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FRIDAY • SATURDAY, SEPTEMBER 13-14, 1991 PAGE 15

# BCCI Had Close Connections to Italy's BNL, Adding Another Dimension to the Scandal

By PETER TRUHL

Staff Reporter

WASHINGTON — Close financial and management ties existed between Bank of Credit & Commerce International and Italy's scandal-plagued Banca Nazionale del Lavoro, adding a new dimension to the BCCI affair.

BCCI's links with BNL include the movement of funds for the government of Iraq, according to an internal Federal Reserve report. The association of the two banks also raises intriguing new questions about the possible role of intelligence figures in the BCCI affair.

At the very least, the connections join the two greatest banking scandals of recent years: the BCCI affair, with its allegations of money-laundering, arms financing and secret ownership of U.S. financial institutions, and the BNL scandal, involving fraud in U.S. government financing programs and billions of dollars in excessive lending to help finance Saddam Hussein's war machine.

### 'No Great Surprise'

"The existence of another foreign bank entity engaged in criminal activity comes as no great surprise," U.S. Rep. Henry Gonzalez said Wednesday at a hearing on BCCI. Italy's BNL, he said, "became Baghdad's banker in the U.S. before our regulatory cops at the Federal Reserve could locate Iraq on the map."

The most prominent link between the two banks involves Alfred Hartmann, a successful Swiss banker and businessman, who until recently was a BCCI director and the chairman of its Swiss unit, Banque de Commerce & Placement SA, or BCP. Following the seizure of BCCI by Western regulators on July 1, Mr. Hartmann resigned from BCP, which has been sold to a Turkish group.

In addition to serving BCCI in those capacities, Mr. Hartmann also has served as and remains the chairman of BNL's unit in Zurich, Switzerland, known as Lavoro Bank AG.

### Hartmann's Links

Finally, Mr. Hartmann is vice chairman of a small, joint-venture institution in Geneva called Bank of New York-Inter-Marin Bank. A predecessor bank counted among its owners and investors Abbas Ghalib, one of the brothers whose shipping empire not only invested in BCCI but is recorded as borrowing — and defaulting on

— some \$700 million of BCCI loans.

Mr. Hartmann's links to the these institutions were established by P. Network, a research service based in Geneva.

Mr. Hartmann didn't return telephone calls to his various offices in Switzerland or answer a letter transmitted to him earlier this month, but employees at his various offices confirmed his roles at BNL and BCCI's Swiss units and at Bank of New York-Inter-Marin Bank, Geneva. A spokeswoman at Bank of New York's head office also confirmed his role at the Geneva bank.

The involvement of the BCCI-BNL banker in Bank of New York-Inter-Marin Bank is particularly intriguing. The chairman of that bank is Bruce Rappaport, an international oilman who has been thought for years to have close ties to the U.S. and Israeli intelligence communities.

In a separate development, the U.S. Federal Reserve refused to accept vital evidence in the BCCI affair so that it wouldn't have to turn it over to a grand jury in Manhattan seeking access to the information, according to an internal Fed memorandum.

The report doesn't suggest that the Fed was trying to protect BCCI, but that it was trying to thwart a separate investigation of BCCI. The same memorandum describes the efforts of a Fed official to crack down on the rogue bank.

But the memo from late 1990 provides the starkest illustration yet of the rivalry that appeared to grip various law enforcement agencies pursuing BCCI — a competition that has only slowed efforts to prosecute the bank.

A Fed spokesman in Washington, while verifying the authenticity of the memo, said it inaccurately characterized what was happening inside the Fed.

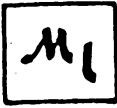
The memo, dated Dec. 12, 1990, was written by Thomas McQueeney, an assistant chief examiner at the New York Fed, to Bob O'Sullivan, a senior Fed official in New York. It describes a conversation between Mr. McQueeney and William Ryback, a top banking regulator at the Fed.

Mr. Ryback, according to the memo, had just met with with Zafar Iqbal, the Abu Dhabi-based chief executive officer of BCCI Holdings (Luxembourg) SA. "Bill was very impressed with Iqbal, who offered to open the books of BCCI to us," the memo says. Mr. Iqbal was detained by authorities in Abu Dhabi last week along with about 20 other senior BCCI executives.

Mr. Iqbal, according to the memo, showed Mr. Ryback a copy of a Price Waterhouse audit report asserting that BCCI controlled 60% of First American Bankshares Inc., even though the Fed had explicitly denied BCCI the authority to buy into the Washington-based bank holding company.

Mr James DOUGHERTY  
Geneva Oct. 14 91

Just an example of our press agency investigative work — as quoted by the Wall Street Journal.



**MURA INTERNATIONAL, S.A.**

August 28, 1987

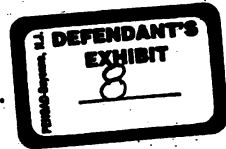
Attn: Mr. Altemar - Mr. Coronado  
Camino Real Hotel

In addition to my previous Fax, this spare parts list is included without cost for the following items:

<u>Quantity</u>	<u>Description</u>
392	B, General Purpose
48	B, General Purpose
465	B, General Purpose
305	B, General Purpose
37	B, General Purpose
13,480	B, Practice

Plus Fin assembly, Shaft and Drive Fuse.

*N. F. Altemar*  
Request



**Offices:**

AMMAN, JORDAN • GENEVA, SWITZERLAND • HOLLYWOOD, FLORIDA, U.S.A. • LONDON, ENGLAND • PALMA DE MAJORCA, SPAIN

October 17, 1988

TO: MUNTHER SILBEISI

FR: ALBERTO COPPO

Please be advised of the following:

The purpose of the Guatemalan technical commission is to inspect the three units that were purchased in the contract with MURA International. (They will also inspect the 10 units they intend to buy).

1. RJAF 719 V.I.P. King's personal helicopter
2. RJAF V.I.P. with low hours in good condition
3. Medical ambulance

These three must be ready for inspection and testing by the commission. And they can already be painted or done during the time the commission is there.

Also needed is the list of spare parts with price covering \$1,375,000.00. We can include in the list ground support equipment, tools and any other equipment necessary.

To collect our money, we need to have RJAF prepare a bill of sale transferring property (3 units) from RJAF to the Republic of Guatemala.

Regarding the assignments: we have already covered the following-  
 400,000.00 to R.C.C.T. (M.R.)  
 270,000.00 to President's brother  
 17,500.00 to J. Valdez  
 150,000.00 to M.C. and L.A.

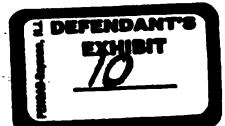
Still needed to be paid:

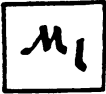
517,500.00 to Banco de Guatemala (performance bond)  
 150,000.00 to the two generals  
 12,500.00 to Rafael

We will need .25% of the total value plus administrative costs for the bank in order for them to prepare the notification of proceeds as soon as possible.

Best regards,  
 ALBERTO

000196





## MURA INTERNATIONAL

289A Neasden Lane London NW10 1QL Tele No 01-450 6602 Cables Muriant London NW10

27 de Mayo de 1,987

Senor  
General de Brigada.  
Cesar Augusto Caceres Rojas  
Jefe del EMDN.  
Palacio Nacional  
Guatemala.

Mura Internaitonal, es una compania de origen Jordano, la cual fue establecida en 1968, con oficinas en Londres, Suiza, Espana y su mas reciente en el estado de la Florida, Estados Unidos de Norte America.

Nos especializamos en equipo de defensa, y hemos tratado anteriormente con paises tales como Jordania, Nigeria, Kuwait, La union de Estados de la Tregua Emiratos Arabes, El Salvador (1969, 1970), Peru, Ecuador, Honduras (1974), y Sur Africa (1974-1975) ya sea directo o atravez de companias asociadas.

Somos representantes exclusivos de las Fuerzas Armadas de Jordania, para la venta de equipo de defensa, tambien representamos companias especializadas en la manufactura de armamento en Europa Occidental y Oriental, especialmente de Yugoslavia y Checoslovaquia.

Atentamente,

Mura International

### TRANSLATION FOR BODY OF MURA INTERNATIONAL LETTER

Mura International is a company that originated in Jordan, which was established in 1968, with offices in London, Switzerland, Spain and its most recent one is in the State of Florida, in the United States of North America.

Our specialty is in defense equipment, and have dealt previously with countries such as Jordan, Nigeria, Kuwait, the union of Arab Emirates, El Salvador (1969, 1970), Peru, Ecuador, Honduras (1974), and South Africa (1974-1975) either directly or through affiliated companies.

We are the exclusive representatives of the armed forces of Jordan, for the sale of defense equipment, we also represent companies which specialize in the manufacture of arms in Western and Eastern Europe, especially in Yugoslavia and Czechoslovakia.

MEMORANDUM

To : Mr. Munther Bilbunt

From : Alberto Coppo

Reference : Business trip to Guatemala - 02/29 to 03/08

I. - REASON FOR THE TRIP

- 1) To get an official confirmation from the Guatemalan Authorities for the purchase of 5 S-76 and 16 F-5
- 2) To get the Letter of Credit for the 5 units, if the decision was positive.
- 3) To start a direct report with the authorities, avoiding the future participation of the actual representatives.

II. - ACTIVITIES

1) Visit to the Minister of National Defense

The Minister, Grl. Hector Gramajo did not want to compromise himself without talking with the President. Nevertheless, the meeting (an official appointment) was very friendly. He designated Col. Felix Basca, Secretary General of the Ministry, as my link for any coordination or necessity.

After talking with the President, the Minister confirmed the decision of purchase of the 5 and 16 units.

Col. Basca asked me to have a meeting with Col. Vargas.

2) Visit to Col. Marco A. Vargas, Chief, Army's Financial Department.

Col. Vargas wanted to be emphatic about the necessity of the Air Force for the equipment. Also he wanted clarify that his Department had not any participation handling the economical side of the project. According to him, the delay was originated in the Presidential House. He suggested me a meeting with Grl. Matta Gulvez, Chief, General Staff of the President. He also was emphatic about the negative feelings created by our local Representatives.

Col. Vargas asked me to give you his best regards. He will be in Miami in the end of this week and he wants to talk with you and me. He did not want to disclose the matter, in Guatemala.

3) Visit to the Chief, General Staff of the President.

In our meeting, Grl. Matta confirmed the necessity of the 5 units. According to him, the problem was originated when MURA was not able to provide financial support for this sale (offered only 180 days), later, the funds availables were assigned to other projects with higher priority. He told me that Allemar and Coronado were working looking for a bank in USA able to give the loan to Guatemala. (I guess this is a lateral business for them).

The latest situation is that Guatemala got the commitment for the loan. Grl. Matta, introduced to me Col. Rafael Rosetto (he is also an Economist), Financial Advisor for the President and former President of the Banco del Ejercito. With him, I check the situation, finding out that the operation was blocked last week because the lender bank was not recognized as Correspondent by the Central Bank. Banco de Guatemala. This situation was solved talking with the Chairman, the Bank is been already nominated and now is just a matter of Financial Contract and

Summary Notes.

At the last meeting in the Presidential House, Grl Matta told me that he had the commitment from every part involved in this matter, that the L/C will be issued approx. March 18. Yesterday, I got the same information from the bank.

Regarding the P-5, I request from Grl. Matta an active participation of the Guatemalan Armed Forces in the coordination with the D.O.S. He was authorized to coordinate directly with Col. Anacleto Nassa, Military Attache in Washington D.C.

The letters about spare parts were not received by the president, yet. I gave him copies.

For the deal with Holland, was a great help!

CONCLUSIONS

1) The sale of the 5 S-78 is a fact.

2) L/C is now organized. Will be issued approx. March 18.

3) Armed Forces does not like our Representatives, but Grl Matta does. In the end of March, Grl Matta will be in another position (Inspector General) under direct command of Grl. Gramajo. At that moment we must look for an appointment with the new Military Chief of the Presidential House.

RECOMMENDATIONS

1) I will talk with Altamar and Coronado in order to have a direct feeling.

2) We must make a follow up in Washington for the P-5.

3) I can not loose the opportunity to talk with Col. Vargas in Miami. I will need your backing.

4) Give me your comments, I will be waiting your call in Miami.

Best Regards,

*[Handwritten signature]*

Tickets supplied by Roger

Expenses in Guatemala US\$ 478.00 (8 days)

I believe, that the project was block in the Presidential House, but the Minister went to see the President with the information and Paz from Holland, he got a strong backing from him and the order, everybody, for the conclusion of the deal.

AMMAN, Jordan.  
November 9th, 1988.

TO:- ALBERTO COPPO  
FROM:- MUNTER BILDEISJ

Today I made all the necessary arrangements with B.C.C.I. Amman regarding the financial commitment for the two gentlemen and also L.A. and M.C. The bank air mailed the four documents.

Regards,

Munther.

JORDANIAN AIR FORCE



مذيع الجو الملكي الاردني

RJAF/AC/1P4/69/D/6031

1 / NOV / 1988

الرقم

التاريخ

LETTER OF INTENT

MURA INTERNATIONAL S.A

AMMAN

TLX: 21513 JO

FAX 824165

ATTN: MR MONIHER BILBEISISUBJECT: SALE OF TWO RJAF C130B  
AIRCRAFTS AND SPARES

Ref your offer dated 31/OCT/1988 for purchase of two RJAF C130B aircrafts and spares.

1. Please be informed that above referenced offer has been accepted by the selling committee provided that subject aircrafts should be transferred to an acceptable end user to both Jordanian and United States Governments.
2. You are requested to inform the buyer i.e the Argentinian Air Force to contact the U.S Government in order to obtain their approval.

Thank you for your kind cooperation.

  
Y.A. MUKHAIMER, BRIG

CHAIRMAN OF THE COMMITTEE



**BANK OF CREDIT AND COMMERCE INTERNATIONAL (OVERSEAS) LIMITED**  
**BENEFICIARY'S ASSIGNMENT OF PROCEEDS**  
**(INSTRUCTION TO BANK TO PAY PROCEEDS OF LETTER OF CREDITS)**

Date \_\_\_\_\_ 19 \_\_\_\_\_

MURA INTERNATIONAL S.A.  
 4710 N.W. 2ND AVE SUITE 200  
 BOCA RATON, FLORIDA 33431  
 ("Beneficiary")

Re: Letter of Credit XLU/1311/88

No: \_\_\_\_\_

Issued by:

BCO. DE GUATEMALA / CAPITAL BANK MIAMI

Advice No.:

CAPITAL BANK'S REF. NO. 49510

Bank's Reference No. \_\_\_\_\_

VALUABLE CONSIDERATION, the receipt of which is hereby acknowledged, the undersigned Beneficiary irrevocably authorizes and instructs and agrees with Bank, and its successors and assigns, as follows: to pay to captioned Assignee, from the proceeds, if any, of the draft(s) drawn by Beneficiary under and in compliance with the captioned L/C (as such L/C is now or hereafter amended), if and when such draft(s) is/are presented to Bank, for the aggregate amount of: USD400,000.00

USD FOUR HUNDRED THOUSAND DOLLARS ONLY

to pay the balance, if any, of said proceeds to Beneficiary.

Assignment, and bank's acceptance hereof, if accepted, is not a transfer of the L/C, does not give rise to any interest therein, and does not affect Beneficiary's or Bank's right to agree to amendments thereon, or any substitution thereof.

Beneficiary warrants that it has not, and will not (i) revoke or modify this irrevocable Assignment or (ii) assign or otherwise, any of the said proceeds assigned hereunder to any person or entity other than Assignee.

Beneficiary request Bank to advise Assignee of Bank's acceptance, if any, of this Assignment.

Beneficiary acknowledges receipt of, and transmits to Bank herewith the original letter of advice from Issuer for said L/C, with any amendments, all of which documents are satisfactory to Beneficiary, for Bank to use within Assignment thereon.

Beneficiary encloses its check to Bank in the amount of \$ \_\_\_\_\_ (minimum \$50.00) representing its commission at the rate of 1/4 of 1% of the aggregate amount designated above to be transferred.

WE ARE AUTHORIZED TO DEBIT MY ACCOUNT FOR USD1,000.00 BEING ASSIGNMENT OF PROCEEDS OF

MURA INTERNATIONAL S.A.

Name of Beneficiary

By: \_\_\_\_\_  
 Print Name and Title Beneath

SIGNATURE AUTHENTICATED

\_\_\_\_\_  
 (Bank)

By: \_\_\_\_\_  
 Authorized Signature

Date: \_\_\_\_\_

CC

(49)

## **CHRONOLOGICAL SUMMARY OF BILBEISI'S ILLICIT INTERNATIONAL ARMS TRANSACTIONS**

### **1. Sale of small arms to Honduras and El Salvador**

During the 1969 "Soccer War" between Honduras and El Salvador, Bilbeisi sold light armaments (i.e., machine guns) to El Salvador and reportedly attempted to sell armaments to Honduras as well.

### **2. Centurion Tanks from Jordan to South Africa**

In 1974, Bilbeisi through his wholly-owned company, M.B. Associates, sold British manufactured Centurion tanks and anti-missile systems from Jordan to South Africa and Rhodesia. When the sale became public knowledge, the British foreign office intervened and stopped the sale of Hawker Hunter jets to South Africa and Rhodesia.

### **3. F-86 Safta jet fighters to Honduras**

In 1975, Bilbeisi sold United States manufactured F-86 Safta jet fighters from Yugoslavia to Honduras.

### **4. Commission for retrofitting weaponry and engines on Jordanian Centurion Tanks**

During 1978, Bilbeisi's wholly-owned corporation Interastra retrofit the entire corps of Centurion tanks of the Royal Jordanian army with diesel engines, infrared gun sites and 105 mm. guns.

### **5. Attempted sale of small arms to El Salvador, Guatemala and Honduras**

During 1984, Bilbeisi attempted to sell Turkish and North Korean manufactured small armaments to these 3 Central American countries using retired United States General James Vaught as an intermediary.

### **6. Attempted sale of small arms to Nicaraguan Contras**

During 1985, Bilbeisi attempted to sell small arms to the Nicaraguan Contras through Aldolfo Calero, one of the heads of the Contra movement in the United States.

### **7. Attempted sale of F-5 jet fighters and Sikorsky S-76 helicopter gunships from Jordan to Guatemala**

During 1988, Bilbeisi attempted to sell 10 F-5 jet fighters and 18 Sikorsky S-76 helicopter gunships from the Royal Jordanian Air Force to Guatemala. The helicopter gunships were to be sold in their civilian configuration and retrofit as gunships upon their arrival in Guatemala. Because of lack of financing, only the sale of 3 civilian helicopters was consummated.

**MEMORANDUM**

TO: James F. Dougherty, II

FROM: Richard Alan Lehrman

DATE: June 4, 1991

RE: Fraudulent insurance claims against certain Syndicates of Underwriters at Lloyd's of London by Munther Bilbeisi et al. and participatory role of Bank of Credit and Commerce International (Overseas) Ltd.

**I. Bilbeisi's Illicit International Arms Transactions****A. Status as a International Arms Dealer**

1. "There is no doubt that Bilbeisi's affidavit and testimony are false regarding his identify as an arms dealer. The Defendant [certain underwriters at Lloyd's of London] has proven beyond a reasonable doubt that Plaintiff is an arms dealer."<sup>1</sup>
2. Bilbeisi's admission that he "... was awarded the sale of all the surplus military equipment by the Jordanian armed forces".<sup>2</sup>
3. "Mura International, a Jordanian company ... specializes in defense equipment, trading with countries such as Jordan, Nigeria, Kuwait, the United Arabs Emirates, El Salvador, Peru, Ecuador, Honduras and South Africa ...  
We are the exclusive representatives of the Jordanian Armed Forces for the sale of military equipment, and we all represent companies specializing in the manufacture of arms in eastern and western Europe, especially Yugoslavia and Czechoslovakia."  
[Signature of Munther Bilbeisi]  
Mura International<sup>3</sup>
4. The entire basis for Mauricio Coronado's relationship with Munther Bilbeisi since 5/16/87 was to sell weapons, including fighter planes, helicopters, bombs and equipment to the Guatemalan government.<sup>4</sup> Coronado made numerous trips to Guatemala to sell jet fighters and

<sup>1</sup> See 1/17/91 Order of Dismissal and Final Judgment in *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4498 AJ, ¶18, p.7 (Exhibit 6 to Plaintiff's Renewed Motion for Sanctions file dated 3/12/91; DE 999).

<sup>2</sup> 12/20/83 deposition of Munther Bilbeisi in *Intereste v. Taledyne*, U.S.D.C. (W.D. Mich. No. 83-379), p.15.

<sup>3</sup> 5/27/87 (translated) letter from Munther Bilbeisi, Mura International, to Brigadier General Cesar Augusto Coeres Rojas, Palacio Nacional, Guatemala. (Exhibit 7 to Plaintiff's Renewed Motion for Sanctions file dated 3/12/91; DE 999).

<sup>4</sup> Coronado deposition, p.304-8.

**MEMORANDUM**

TO: James F. Dougherty, II  
 FROM: Richard Alan Lehrman  
 DATE: June 4, 1991  
 RE: Fraudulent insurance claims against certain Syndicates of Underwriters at Lloyd's of London by Munther Bilbeisi et al. and participatory role of Bank of Credit and Commerce International (Overseas) Ltd.

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helicopters on behalf of Munther Bilbeisi and Mura International, S.A.<sup>5</sup> During one of Munther Bilbeisi's trips to Guatemala, he told Louis Altamar to return Bilbeisi's briefcase with a computer list of Royal Jordanian Air Force spare parts for jet fighters and helicopters, catalogs of military equipment and brochures with artillery pictures.<sup>6</sup> In a 2/22/88 letter to the President of Guatemala, Bilbeisi proposed to provide \$11,000,000 in spare parts at no cost if the President purchased a squadron of F-5, F-5A and F-5B jet fighters.<sup>7</sup>

5. Munther Bilbeisi attempted to broker the sale of military helicopters, F-5 jet fighters and Sidewinder air-to-air missiles from the Royal Jordanian Air Force to the Republic of Guatemala and Sikorsky helicopters purchased in their "civilian" configuration were to be retrofit with air-to-air rockets and pylons which would mount M-60 machine guns.<sup>8</sup>

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<sup>5</sup> Coronado deposition, pp.262-3.

<sup>6</sup> Coronado deposition, pp.264-66.

<sup>7</sup> Exhibit 72 to Coronado deposition.

<sup>8</sup> Affidavit of Theodore F. Berg attached as Exhibit 1 to Supplement to Plaintiff's Appeal of the Objections to Magistrate's Orders Dated March 12, 1990 (file dated 3/23/90; DE 567).

**MEMORANDUM**

TO: James F. Dougherty, II  
 FROM: Richard Alan Lehrman  
 DATE: June 4, 1991  
 RE: Fraudulent insurance claims against certain Syndicates of Underwriters at Lloyd's of London by Munther Bilbeisi et al. and participatory role of Bank of Credit and Commerce International (Overseas) Ltd.

**B. S-76 Helicopter Gunships from Jordan to Guatemala<sup>9</sup>**

During 1987 and 1988, Bilbeisi attempted to sell 10 F-5 jet fighters and 18 Sikorsky S-76 helicopter gunships from the Royal Jordanian Air Force to Guatemala. The helicopter gunships were to be sold in their civilian configuration and retrofit as gunships upon their arrival in Guatemala. Because of lack of financing, only the sale of 3 civilian helicopters was consummated.

1. "We have been asked by the Jordanian government to assist them in the sale of eighteen (18) Sikorsky helicopters, model S-76A. When fitted with weapons systems, the aircraft is called the H-76 Eagle multi-mission helicopter (gunship) under separate cover. All of the above aircraft can be fitted with armament kits, consisting of spare support beams, upon which you can hang armaments to carry .50 cal machine guns, 7.62 mm twin machine guns, or 2.75 inch aerial rockets as described in enclosure #6.<sup>10</sup>
2. "DURING OUR TELECON ON 5-26, THE SUBJECT OF S-76 WEAPON SYSTEMS WAS DISCUSSED. SIKORSKY HAS DELIVERED ARMED S-76 HELICOPTERS TO FOREIGN CUSTOMERS. THESE HELICOPTERS ARE FORMIDABLE, ARMED, MULTI-ROLE MACHINES THAT CAN BE EASILY CONFIGURED TO PERFORM A VARIETY OF MISSIONS.

<sup>9</sup> 3/8/88 memorandum from Alberto Coppe to Munther Bilbeisi re: "business trip to Guatemala," produced on 9/3/90 by Munther Bilbeisi pursuant to Court Order in *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4496 AJ.

5/27/87 letter from Munther Bilbeisi, Mura International, S.A. to Guatemalan Brigadier General Cesar Augusto Caceres Rojas, produced on 9/3/90 by Munther Bilbeisi pursuant to Court Order in *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4496 AJ. When the first two pages (i.e., not containing Bilbeisi's signature) of this four page letter was produced by Maurice Coronado at his 12/18/89 deposition, former counsel expressly disavowed it.

3/8/88 memorandum from Alberto Coppe to Munther Bilbeisi re: "business trip to Guatemala," produced on 9/3/90 by Munther Bilbeisi pursuant to Court Order in *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4496 AJ.

<sup>10</sup> 5/27/87 letter from Munther Bilbeisi, Mura International, S.A. to Guatemalan Brigadier General Cesar Augusto Caceres Rojas, produced on 9/3/90 by Munther Bilbeisi pursuant to Court Order in *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4496 AJ. (Exhibit 9 to Plaintiff's Motion for Sanctions file dated 3/12/91; DE 999).

# **MEMORANDUM**

TO: James F. Dougherty, II  
 FROM: Richard Alan Lehrman  
 DATE: June 4, 1991  
 RE: Fraudulent insurance claims against certain Syndicates of Underwriters at Lloyd's of London by Munther Bilbeisi et al. and participatory role of Bank of Credit and Commerce International (Overseas) Ltd.

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IN AN ATTACH CONFIGURATION WITH A WEAPONS SUPPORT PYLON. THE S-76 CAN CARRY A WIDE VARIETY OF PODDED GUNS, CANNON, OR ROCKETS. THE S-76 HAS PROVEN TO BE AN EFFECTIVE AND STABLE WEAPONS PLATFORM WHEN EQUIPPED WITH .50 CAL MACHINE GUNS. 7.62 MM TWIN MACHINE GUNS, OR 2.75 INCH AERIAL ROCKETS.

IN ORDER TO DETERMINE THE COST TO RETROFIT THE WEAPONS SUPPORT PYLON INTO THE S-76 HELICOPTERS, WE ARE DISCUSSING AN ENGINEERING STUDY WOULD HAVE TO BE ACCOMPLISHED. THIS RETROFIT MAY NOT PROVE COST EFFECTIVE; HOWEVER, THE MODIFICATION IS POSSIBLE.

I WILL SEND YOU BROCHURES WHICH DESCRIBE THE H-76 EAGLE MULTI-MISSION HELICOPTER (GUN SHIP) UNDER SEPARATE COVER.<sup>11</sup>

3. Subsequent to his resignation as Consul-General for the Government of Guatemala to the United States of America on May 15, 1987, Coronado immediately met with Munther Bilbeisi at his home at the Sanctuary with a Guatemalan Air Force officer and members of the Presidential staff of Guatemala after being contacted by Louis Altermar on behalf of Munther Bilbeisi in an effort to sell both jet fighters and helicopters which could be configured for a combat function to the Government of Guatemala.<sup>12</sup>

Coronado was offered a 50 percent participation in the net profits of the sale of jet fighters and helicopters.<sup>13</sup>

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<sup>11</sup> 5/27/87 telex from W. O'Malley to Coffee, Inc., Attn: Mr. Bilbeisi, produced on 8/3/90 by Munther Bilbeisi pursuant to Court Order in *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4496 AJ. (Exhibit 10 to Plaintiff's Renewed Motion for Sanctions file dated 3/12/91; DE 989).

<sup>12</sup> 12/19/88 Mauricio Coronado deposition, pp.15-16, 21-28).

<sup>13</sup> 12/19/88 Coronado deposition, pp.31-34.

**MEMORANDUM**

TO: James F. Dougherty, II  
 FROM: Richard Alan Lehrman  
 DATE: June 4, 1991  
 RE: Fraudulent insurance claims against certain Syndicates of Underwriters at Lloyd's of London by Munther Bilbeisi et al. and participatory role of Bank of Credit and Commerce International (Overseas) Ltd.

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4. The S-76s described in the 5/27/87 Mura letter (see \_\_ above) can be converted to fighter helicopters "anytime"<sup>14</sup>, and Bilbeisi so represented to a delegation of Guatemalan government officials interested in procuring the jet fighters and helicopters.<sup>15</sup>
5. The S-76A helicopters were to be converted for military use by a conversion kit to be supplied by Bilbeisi as head of Mura International, S.A. once the helicopters with a civilian configuration had been obtained from Sikorsky.<sup>16</sup>
6. Contrary to Bilbeisi's assertion, the Sikorsky Model S-76A helicopter can be adapted to military use through a conversion kit, and Bilbeisi specifically proposed to perform such a conversion in Guatemala once the helicopters had been obtained in their civilian configuration.<sup>17</sup> Although the H-76 Eagle is not the same helicopter as the Sikorsky S-76A, Bilbeisi himself affirmatively represented to a delegation of Guatemalan Air Force officials interested in procuring fighter helicopters that the S-76A helicopters could be configured substantially the same as the H-76 Eagle helicopter.

**C. *F-5 Jet Fighters from Guatemala to Jordan***

1. Signed memorandum from Alberto Coppo, detailing the progress of his trip to Guatemala on behalf of Mura International, S.A. and Munther

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<sup>14</sup> Coronado deposition, p.308.

<sup>15</sup> Coronado deposition, pp.332, 338.

<sup>16</sup> Coronado deposition, pp.338-40.

<sup>17</sup> Coronado deposition, pp.241-42.

## MEMORANDUM

TO: James F. Dougherty, II  
 FROM: Richard Alan Lehrman  
 DATE: June 4, 1991  
 RE: Fraudulent insurance claims against certain Syndicates of Underwriters at Lloyd's of London by Munther Bilbeisi et al. and participatory role of Bank of Credit and Commerce International (Overseas) Ltd.

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Bilbeisi to sell F-5 jet fighters and S-76 helicopter gun ships. Mr. Coppo states that the "reason for the trip" was:

"To get an official confirmation from the Guatemalan [sic] Authorities for the purchase of five S-76 and sixteen F-5" and concludes that "the sale of the five S-76 is a fact".<sup>18</sup>

2. Munther Bilbeisi letters confirming "the purchase of five (5) Sikorsky S-76A helicopters and for sixteen (16) F-5As and F-5Bs" to his Washington attorney<sup>19</sup>, Ismail Bilbeisi & Co., Ltd. in Amman, Jordan,<sup>20</sup> and to "His Majesty King Hussein".<sup>21</sup>
3. Munther Bilbeisi's signed list of F-5A and F-5B aircraft "available for sale" sent to the Guatemalan Minister of Defense<sup>22</sup>

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<sup>18</sup> 3/8/88 memorandum from Alberto Coppo to Munther Bilbeisi re: "business trip to Guatemala", and produced on 9/3/90 by Munther Bilbeisi pursuant to Court Order in *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4496 AJ. (Exhibit 8 to Plaintiff's Renewed Motion for Sanctions file dated 3/12/91; DE 999).

<sup>19</sup> 1/29/88 letter from Munther Bilbeisi, president Mura International, S.A. to John O'Connell, Esq., produced on 9/3/90 by Munther Bilbeisi pursuant to Court Order in *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4496 AJ. (Exhibit 11 to Plaintiff's Renewed Motion for Sanctions file dated 3/12/91; DE 999).

<sup>20</sup> Undated letter from Munther Bilbeisi to H.E. Mutasim Bilbeisi, Amman, Jordan, enclosing letter to John O'Connell, Esq. and purchase orders for five (5) Sikorsky S-76A helicopters and for sixteen (16) F-5As and F-5Bs, produced on 9/3/90 by Munther Bilbeisi pursuant to Court Order in *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4496 AJ. (Exhibit 12 to Plaintiff's Renewed Motion for Sanctions file dated 3/12/91; DE 999).

<sup>21</sup> See O'Connell letter above, Exhibit 12 to Plaintiff's Renewed Motion for Sanctions file dated 3/12/91; DE 999.

<sup>22</sup> 5/12/87 letter from Munther Bilbeisi, Mura International, S.A. to His Excellency General Hector Gramaje, Minister of Defense, National Palace, Guatemala City, Guatemala, produced on 9/3/90 by Munther Bilbeisi pursuant to Court Order in *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4496 AJ. (Exhibit 13 to Plaintiff's Renewed Motion for Sanctions file dated 3/12/91; DE 999).



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4. Bilbeisi's signed confirmation to "Colonel Yusef Mukaimar" that the "Guatemalan government . . . have committed for a minimum of TEN -- S-76A, EIGHT -- F5A, and TWO -- F5B".<sup>23</sup>
5. Guatemalan Brigadier General Gramajo's reply confirming the Guatemalan government's interests in:  
 Sixteen airplanes F-5(A/B) with armaments and ammunition.<sup>24</sup>
6. Signed agreement between Munther Bilbeisi as president of Mura International, S.A. and "Vice Presidents" Louis C. Altermar and Mauricio E. Coronado providing the latter with 50% of the net profits from the:  
 "Sale of the F5-A and F5-B tactical fighters, which are owned by the Royal Jordanian Air Force, to the Republic of Guatemala".<sup>25</sup>
7. Mr. Coronado repeatedly emphasized during his lengthy deposition that it was as Munther Bilbeisi's intention as President of Mura International, S.A. on May 16, 1987, to sell both combat jet fighters and S-76 helicopters to be modified for the conversion to gunships, with Mura selling the conversion kits and installing them in Guatemala<sup>26</sup>; and accordingly

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<sup>23</sup> 7/22/87 signed memo from Munther Bilbeisi, Mura International, S.A. "for the attention of: Col. Yusef Mukaimar" Re: Guatemalan government commitment for minimum of ten S-76A, eight F5A and two F5B, produced on 9/3/90 by Munther Bilbeisi pursuant to Court Order in *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4496 AJ. (Emphasis in original). (Exhibit 14 to Plaintiff's Renewed Motion for Sanctions file dated 3/12/91, DE 999).

<sup>24</sup> 8/4/87 letter from Gen. Brig. Hector Alejandro Gramajo Morales, Guatemalan Minister of National Defense to Mura International, S.A., produced on 9/3/90 by Munther Bilbeisi pursuant to Court Order *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4496 AJ. (Exhibit 15 to Plaintiff's Renewed Motion for Sanctions file dated 3/12/91, DE 999).

<sup>25</sup> 7/23/87 letter agreement between Munther Bilbeisi, President Mura International, S.A. and Louis C. Altermar, Vice President Mura International, S.A. and Mauricio Coronado, Vice President Mura International, S.A. for payment of 50% of the "sale of F5-A and F5-B tactical fighters owned by the Royal Jordanian Air Force to the Republic of Guatemala", produced on 9/3/90 by Munther Bilbeisi pursuant to Court Order in *Bilbeisi v. Richard Warwick Fielder*, 15th Judicial Circuit, Case No. 87-4496 AJ. (Exhibit 16 to Plaintiff's Motion for Sanctions file dated 3/12/91, DE 999). This agreement was notarized by Susan Anderson, Munther Bilbeisi's secretary who has denied, under oath, any knowledge of Bilbeisi's arms dealings.

<sup>26</sup> Coronado deposition, p.241-42).

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Bilbeisi only needed end-user certifications for the F-5 jet fighters not the S-76 helicopters.<sup>27</sup>

Mura International, S.A. ultimately purchased 3 helicopters in civilian configuration but it originally sought and made a commitment to sell military conversion kits for an additional 7 helicopters; however, the deal fell through because of Munther Bilbeisi's failure to obtain adequate financing.<sup>28</sup> The F-5 deal fell through for the same reason.<sup>29</sup>

***D. Centurion Tanks from Jordan to South Africa***

In 1974, Bilbeisi through his wholly-owned company, M.B. Associates, sold British manufactured Centurion tanks and anti-missile systems from Jordan to South Africa and Rhodesia. When the sale became public knowledge, the British foreign office intervened and stopped the sale of Hawker Hunter jets to South Africa and Rhodesia.

1. Affidavit of Martin Walker, The Guardian reporter who authored a series of articles detailing Munther Bilbeisi's arms transactions verifies that the very sale of the missile systems and tanks from Jordan to South Africa and Rhodesia denied by Bilbeisi ". . . was confirmed by the foreign office of Great Britain" and states that Bilbeisi ". . . has neither challenged nor contested the contents or statements contained in any of these articles . . ."<sup>30</sup> Walker identified Munther Bilbeisi as the "Jordanian arms dealer" who engineered the sale of British-manufactured Centurion

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<sup>27</sup> Coronado deposition, pp.243-44.

<sup>28</sup> Coronado deposition, pp. 306-71.

<sup>29</sup> Coronado deposition, p. 308.

<sup>30</sup> Affidavit of Martin Walker dated 8/18/90, p.3. (filed 10/2/90; DE 961); Manchester Guardian, "Open File" Series, "A Tiger in Mr. Smith's Tank - Martin Walker reveals how British missiles and tanks reached South Africa with the Rhodesians waving in the wings" 8/10/74. Attached as exhibit to Plaintiff's Supplement to Motions for Sanctions dated 8/10/90; DE 633.

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tanks and anti-missiles systems from Jordan to South Africa and Rhodesia. Mr. Walker stands ready to confirm the subject of his articles in open court.

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**E. Commission for Retrofitting Weaponry and Engines on Jordanian Centurion Tanks**

During 1978, Bilbeisi's wholly-owned corporation Interstra retrofit the entire corps of British-manufactured Centurion tanks of the Royal Jordanian army with diesel engines, infrared gun sites and 105 mm. guns.

1. Bilbeisi admission that retrofit was for "laser tank fire control system ... weapon turret control system ... chemical bacteriological/radiological protection."<sup>31</sup>
2. Teledyne statement that retrofit was for "... weapons/turret control ... laser tank fire control systems, gunner passive night vision, chemical/bacteriological/radiological equipment."<sup>32</sup>
3. Bilbeisi's witness' statement that retrofit was to replace 90mm guns with 105mm guns (p.25) and that Munther Bilbeisi was "well known" in the Jordanian army as an "arms dealer" (p.79).<sup>33</sup>

**F. F-86 Safra Jet Fighters to Honduras**

In 1975, Bilbeisi sold United States manufactured F-86 Safra jet fighters from Yugoslavia to Honduras.

**G. Attempted Sale of Small Arms to El Salvador, Guatemala and Honduras**

During 1984, Bilbeisi attempted to sell Turkish and North Korean manufactured small armaments to these 3 Central American countries using retired United States General James Vaught as an intermediary.

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<sup>31</sup> 8/21/84 Plaintiff's Mediation Statement (p.37) in *Interstra v. Teledyne*, U.S.D.C. (W.D. Mich. No. 983-378).

<sup>32</sup> 8/22/84 Defendant's mediation brief (p.12) in *Interstra v. Teledyne*, U.S.D.C. (W.D. Mich. No. 983-378).

<sup>33</sup> 7/23/84 deposition of General Hakim Khadra, former head of the Department of Planning and Organization, Royal Jordanian Armed Forces in *Interstra v. Teledyne*, U.S.D.C. (W.D. Mich. No. 983-378).

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**H. Attempted Sale of Small Arms to Nicaraguan Contras**

During 1985, Bilbeisi attempted to sell small arms to the Nicaraguan Contras through Aldolfo Calero, one of the heads of the Contra movement in the United States.

**I. Sale of Small Arms to Honduras and El Salvador**

During the 1969 "Soccer War" between Honduras and El Salvador, Bilbeisi sold light armaments (i.e., machine guns) to El Salvador and reportedly attempted to sell armaments to Honduras as well.

**II. Fine Arts Claim**

On October 27, 1986, Munther Bilbeisi filed an insurance claim based on alleged theft of a "Sung Dynasty" vase and about 20 Arab prayer rugs occurring 2 days previously. The insurers, certain syndicates of underwriters at Lloyd's of London<sup>34</sup> successfully defended Bilbeisi's 1987 lawsuit on the bases of fraud in the application and continued fraud swearing in support of the insurance claim.

**A. False and Forged Appraisals**

Bilbeisi submitted an appraisal of the vase in which the appraiser states that "I certify that I have personally inspected the subject property . . ." without revealing that the appraiser had not even seen the subject vase for 3 years.<sup>35</sup>

On February 28, 1983, Bilbeisi attempted to insure the very same "Sung Dynasty" vase accompanied by a \$750,000 appraisal purported made by William Winick. When Lloyd's underwriters refused to insure the vase without an independent appraisal and responses to certain inquiries, Bilbeisi never responded and simply dropped the matter. In

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<sup>34</sup> Led by the Richard Warwick Fielder Syndicate.

<sup>35</sup> 6/30/89 deposition of Milton Lassez, pp.69, 83 and 113.

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his 1986 proposal to cover the "Sung Dynasty" vase, Bilbeisi not only concealed the tremendous disparity between the alleged valuations of the vase (from \$125,000 to \$750,000<sup>36</sup>), Bilbeisi concealed that his prior (February 1983) attempt to insure the vase was based on a forged and false appraisal.<sup>37</sup>

**B. October 24, 1986 -- Financial Incentives for the Fraudulent Claim**

Various factors converged on Munther Bilbeisi to form the financial incentive for filing a fraudulent insurance claim on October 24, 1986:

1. **Precipitous Drop in Coffee Prices** -- by 10/24/86, the resale price of approximately 1,800,000 pounds of coffee purchased by Bilbeisi in Guatemala during March 1986 had fallen from approximately \$2.20 per lb. to \$0.85 per lb. Accordingly, on 10/24/86, Bilbeisi unsuccessfully attempted to insure all 1,800,000 pounds of the Guatemalan coffee (although 135,000 pounds had already been resold) in the United States for well over the amount Bilbeisi initially paid and several times the by then diminished market value.

2. **BCCI-Miami Call Up of \$3.5 Million Loan** -- as early as June 12, 1986, Bilbeisi was attempting to reassure BCCI-Miami that Bilbeisi's \$3.5 million line of credit used to purchase the Guatemalan coffee was fully collateralized by fraudulently misrepresenting that a large portion had been resold. By 10/24/86, BCCI-Miami was insisting on further assurances beyond a \$2,000,000 guarantee by BCCI-Amman, Jordan.

3. **Coffee Litigation Judgment Due** -- on 10/24/86, a judgment against Bilbeisi's corporation, Coffee, Inc., became due after 2 years of acrimonious litigation in the trial and appellate courts in New York and Florida. The \$250,000 judgment arose from an

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<sup>36</sup> Bilbeisi never disclosed that his \$185,000.00 appraisal by Milton Lassees transmitted to Lloyd's in February 1986 were merely an "update" of a \$125,000.00 appraisal based on Mr. Lassees' physical inspection on 1/19/83 -- only 2 weeks before the vase was allegedly "appraised" by William Winick for \$750,000.00.

<sup>37</sup> 6/11/88 Affidavit of Bernice Winick and exhibits attached thereto (filed 9/20/88).

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affirmation of an arbitration award in favor of a New York coffee roaster, J.W. Phyfe, which was damaged as a result of Bilbeisi's refusal to produce an agreed upon quantity of coffee during 1984 when prices were rising. Bilbeisi was ordered to pay the judgment by 10/24/86.

**C. Order of Dismissal and Award of Attorneys' Fees**

On January 17, 1991, Judge Mary Lupo<sup>38</sup> dismissed Bilbeisi's lawsuit, stating in part: "There is no doubt that Bilbeisi's affidavit and testimony are false regarding his identity as an arms dealer. [Lloyd's underwriters] has proven beyond a reasonable doubt that [Bilbeisi] is an arms dealer. To permit Bilbeisi to take a voluntary dismissal of this action merely to pursue it anew in another jurisdiction would be an abuse of our system of justice. . . This Court has never in 7 years stricken pleadings and entered a default for non-compliance with an Order compelling discovery. Bilbeisi's deliberate, contumacious disregard of this Court's authority, his bad faith, willful disregard and gross indifference to court discovery orders evince his deliberate callousness that justifies, and mandates, this severest of sanctions."

On February 4, 1991, the Court entered an Order awarding attorneys' fees in excess of \$100,000 to Lloyd's and reserved jurisdiction to assess approximately \$25,000 in costs against Bilbeisi.

**III. Coffee Claim**

In the course of Bilbeisi's February 1987 sworn statement in support of his fraudulent fine arts claim, Bilbeisi stated he sustained a corporate loss consisting of a \$4 million "coffee switch" several months earlier (in May 1986), and formally filed the claim against

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<sup>38</sup> Currently presiding over the criminal action against William Kennedy Smith.



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certain Lloyd's underwriters<sup>39</sup> on February 18, 1987. On September 10, 1987, following a several month's long investigation, Lloyd's underwriters declined the claim for, among other reasons, non-disclosure of facts material to the risk, fraud and false swearing in support of claim, illegality of the risk and lack of insurable interest, and in January 1988, filed a declaratory action<sup>40</sup> to void the insurance policy for these same reasons. Still pending, the *Sturge v. Coffee, Inc.* action has consumed more than 1,100 docket entries over the last 3 ½ years and has seen 4 successive sets of attorneys appear on behalf Munther Bilbeisi's wholly-owned corporation, Coffee, Inc.

**A. Non-Disclosure of Facts Material to the Risk**

**of Non-Disclosed Alter ~~Est. 3576~~ Establishing Extensive Loss History and Other Facts Material to the Risk**

Munther Bilbeisi is and was the sole shareholder of named assureds Orion Systems, Inc. and Coffee, Inc. under the 1983 annually renewal marine insurance policy (for ocean transit of coffee from Central America to the Middle East), as well as the non-disclosed corporation Mura International, S.A. In 1980, Mura filed a \$37 million bad faith claim against the same lead Lloyd's of underwriter syndicate<sup>41</sup> which in 1983 insured Orion Systems, Inc. and Coffee, Inc. Mura settled for \$850,000 on December 29, 1980. Bilbeisi used Mura to conduct illicit international arms transactions and export Central American coffee ostensible to Jordan financed by BCCI (the same risk Bilbeisi sought to insure on behalf of Orion Systems, Inc. and Coffee, Inc.).

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<sup>39</sup> Lead by the Nicholas Collwyn Sturge Syndicate.

<sup>40</sup> Styled *Nicholas Collwyn Sturge v. Coffee, Inc.*, No. 88-0125-Civ-Marcus (S.D. Fla.)

<sup>41</sup> Nicholas Collwyn Sturge.

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In 1983, Bilbeisi sought coverage under the Orion Systems, Inc. as a "new venture" precisely to conceal Mura (i.e., the bad faith lawsuit and control by an international arms dealer) from Lloyd's underwriters.

- a. Mura, Orion and Coffee were wholly-owned and controlled by Munther Bilbeisi since their respective inceptions and maintained accounts with same Miami, Florida branch of BCCI.<sup>42</sup>
- b. 1980 Mura \$37 million bad faith civil action against "Lloyd's of London underwriters" spawned three (3) civil actions from 1/14/80 through 8/\_\_\_/87. Settled for \$850,000 on 12/29/80.<sup>43</sup>
- c. Concealment during 1983 application and annual renewals (named assured: Orion Systems, Inc. "New Venture"; Coffee, Inc.) of ownership of Mura.<sup>44</sup> Applied for BCCI letter of credit to buy Central American coffee for shipment to Jordan under the name "Mura" on same date as application for cover of same risk under name "Orion".<sup>45</sup>

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<sup>42</sup> 5/4/87 Gloria Calloway deposition, pp.37-38 and 44-45; 5/2/89 Kenneth Grushoff deposition, pp.44-46 and 54-55.

<sup>43</sup> The 3 civil actions, including *Mura International S.A. v. the vessel Ithaki, et al., Mura International, S.A. v. Lloyd's of London Underwriters, et al. and DiPietro and Thompson v. Mura International S.A., et al.*, are summarized in pp.7-10 and 17 of Appendix 2 to Plaintiff's Motion for Summary Judgment (file dated 1/17/90; DE 440) and the entire court files are reproduced in Appendix 3.

<sup>44</sup> Bishop deposition, pp.24-38; Brown deposition, pp.50-57; Harding deposition, pp.128-129 and 158-160; Mabey deposition, pp.69-70, 90-92 and 162-163; Vogt deposition pp.254-270. (Bilbeisi does not deny this non-disclosure but rather asserts he "had no duty" to disclose these facts - 3/31/90 Response, p.8). Telexes to MOAC and Clarkson Puckle seeking cover for Orion Systems identical except for "Bilbeisi owner" deleted from Clarkson Puckle telex. (Exhibit 2 to Plaintiff's Reply Brief, 7/30/90; DE 778.)

<sup>45</sup> 3/14/83 Bank of Credit and Commerce International Application to issue irrevocable documentary credit to Mura International S.A. for purchase of 6,900 kilos Honduran coffee for shipment to Jordan (\$81,000 - FOB Honduras).

3/14/83 Bank of Credit and Commerce International Application to issue irrevocable documentary credit to Mura International S.A. for purchase of 4,900 kilos Honduran coffee for shipment to Jordan (\$54,000 - FOB Honduras).

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- d. Bilbeisi 5/15/90 admission that Coffee, Inc. and Mura both opened LCs with BCCI to import Central American coffee ostensibly to Jordan<sup>46</sup> and that substantial coffee business was conducted by Mura.<sup>47</sup>

**2. Non-Disclosure of Status as an International Arms Dealer**

The moral hazard of Munther Bilbeisi's continuous longstanding and ongoing activities as an international arms dealer was purposefully concealed from underwriters at Lloyd's of London in Bilbeisi's application for insurance under the name "Orion Systems, Inc." (and later "Coffee, Inc.") and at no time was Bilbeisi disclosed as the sole owner of these corporations. These activities are outlined in Section I above.

**3. Non-Disclosure of Insurance Claims and Civil Actions**

As further evidence that Bilbeisi's marine and all risk insurance policies with Lloyd's were nothing more than an opportunity to file fraudulent claims, Bilbeisi failed to disclose no less than 17 other insurance claims and civil actions involving his wholly-owned corporations or Bilbeisi individually, including:

- a. *Mura International, S.A. v. Lloyd's of London Underwriters* -- the \$37 million bad faith claim discussed in §III.A.1. above, involving what was recently discovered to be a fraudulent insurance claim,<sup>48</sup> out of which 2 other civil actions arose.

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3/14/83 transmittal letter from Munther Bilbeisi to BCCI enclosing two letter of credit applications. (Exhibit "1" to Plaintiff's Reply Brief 7/30/90; DE 778).

<sup>46</sup> 5/15/90 Bilbeisi deposition, pp. 513-18; 522-23; and 530-32.

<sup>47</sup> 5/18/90 deposition of Munther Bilbeisi, p.623.

<sup>48</sup> §III.D.3 below, p.23.

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b. *J.W. Phyfe v. Coffee, Inc.* -- a dispute over the very type of risk Bilbeisi sought to insure under the names Orion Systems, Inc. and Coffee, Inc.<sup>49</sup>

c. *Interastra v. Teledyne* -- a \$1 billion lawsuit filed by Bilbeisi's wholly-owned corporation in order to recover a commission for retrofitting the entire Royal Jordanian army tank corps with diesel engines, infra-red gun sites and 110 mm. guns.

**B. Illegality -- The Illicit International Coffee Smuggling Conspiracy**

Although Bilbeisi (without disclosing his name) sought insurance coverage under the guise of a "new venture" involved in the lawful importation of coffee from Central America to the Middle East, Bilbeisi actually directed an international conspiracy to smuggle the coffee into the United States in order to generate millions in illicit profits. The legal effect of the smuggling operation is to void the policy since the law will not permit insuring an illegal venture. Uncontroverted deposition testimony taken in the *Sturge v. Coffee, Inc.* action revealed that:

**1. All Covered Coffee Shipments were Illegal**

- a. Non-ICO coffee was smuggled into the United States under the direction of Munther Bilbeisi.<sup>50</sup>
- b. Coffee smuggled into New Orleans, Louisiana under Munther Bilbeisi's direction through falsely manifested "short-shipped" and "empty" containers owned by Coordinated Caribbean Transport, Inc.<sup>51</sup>

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<sup>49</sup> See 11.B.3. above.

<sup>50</sup> 8/6/90 deposition of Fernando Montes, pp.79-83; and 11/16/89 deposition of Jay Anthony Aramburo, pp.60-63.

<sup>51</sup> 11/16/89 deposition of Jay Anthony Aramburo, pp.15-16.

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- c. Coffee smuggled into Miami, Florida under Munther Bilbeisi's direction through falsely manifested "short-shipped" and "empty" CCT containers.<sup>52</sup>
- d. Smuggled coffee was rebagged at Twin Terminals Warehouse, Miami, Florida under the direction of Munther Bilbeisi.<sup>53</sup>
- e. Bilbeisi directed CCT in Central America to ship coffee actually intended to be smuggled into the United States under bills of lading and other documents falsely labeling the cargo as "transshipped" to Jordan via Miami, Florida or New Orleans, Louisiana.<sup>54</sup>

2. **Several Persons Admitted Personal Participation in Bilbeisi's Coffee Smuggling Scheme**

- a. Under Munther Bilbeisi's direction and in exchange for "commissions" or kickbacks in excess of \$4 million, CCT officers, Steve Calderon, Joseph Villalba and Jose Antonio Otano directed the creation of false or fraudulent documents and otherwise assisted in the smuggling of Central American coffee purchased by Bilbeisi into the Port of Miami, Florida during 1983 through 1985.<sup>55</sup>

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<sup>52</sup> Affidavits of Steve Calderon, Joseph Villalba and Jose Antonio Otano filed as Exhibits 1-3 to Plaintiff's Motion for Sanctions file dated 3/12/91; DE 989.

<sup>53</sup> 11/3/89 deposition of Carlos Dubon, pp.44-53.

<sup>54</sup> 7/5/90 deposition of Maybel Ordenez, pp.24-26 and 8/21/90 deposition of Humberto Hernandez, pp.31-34.

<sup>55</sup> Affidavits of Steve Calderon, Joseph Villalba and Jose Antonio Otano filed as Exhibits 1-3 to Plaintiff's Motion for Sanctions file dated 3/12/91; DE 989.

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- b. Under Munther Bilbeisi's direction and in exchange for "commissions" or kickbacks in excess of \$400,000, CCT employee Jay Anthony Aramburo directed the creation of false or fraudulent documents and otherwise assisted in the smuggling of Central American coffee purchased by Bilbeisi into the Port of New Orleans, Louisiana during 1985 and early 1986.<sup>66</sup>
- c. According to Coffee, Inc.'s own books and records, CCT employee Alberto Rivas was paid \$347,750 in Coffee, Inc. account checks exactly coinciding with the arrival of Munther Bilbeisi's coffee shipments in the United States and in amounts mathematically correlative to the number of bags shipped by Bilbeisi.<sup>67</sup>
- d. Several CCT officers and employees in the United States and Central America including Steve Calderon, Joseph Villalba, Jose Antonio Otano, Alberto Rivas, Humberto Hernandez, Heylei Ordonez, Tony Aramburo and Lisandro Flores admit receiving "commissions" or kickbacks in amounts related to the quantity of coffee smuggled under the direction of Munther Bilbeisi.<sup>68</sup>

**3. Contraband Coffee was Shipped Using Forged and Fraudulent**

**Documents**

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<sup>66</sup> 11/16/89 deposition of Jay Anthony Aramburo.

<sup>67</sup> Exhibit 4 to Plaintiff's Motion for Summary Judgment Based on Illegality (file dated 11/16/90; DE 906-911).

<sup>68</sup> See, depositions of Heylei Ordonez (7/5/90, pp.42-43, 46, 48 and 50); Jay Anthony Aramburo (11/16/89, pp.14-19, 25, 42-43, 45-47, 103); Lisandro Flores Guillen (8/20/90); Humberto Hernandez (8/21/90, pp.12-13); and Wallace Papadopolu (8/10/90, pp.53-54).

Messrs. Otano, Calderon and Villalba have asserted their Fifth Amendment privilege against self-incrimination rather than testify to these kickbacks, as has their accountant, James Puente.

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- a. Bilbeisi directed CCT officers and employees to prepare manifests falsely listing trailers containing smuggled coffee as "short-shipped" or "empty".<sup>59</sup>
  - b. Bilbeisi directed CCT officers in various Central American countries to prepare phoney supplemental manifests listing the trailers containing the smuggled coffee as "empty" or "short-shipped"; the phoney manifests were given to the ship's master in a sealed enveloped labelled "Attn: Tony Aramburo"; upon arrival in New Orleans, Louisiana, Tony Aramburo replaced the true manifest with the phoney manifest in the sealed enveloped for preparation to United States Customs.
4. **Bilbeisi Paid Substantial Kickbacks or Commissions for Smuggling**
- a. Heylei Ordonez delivered to Carlos Dubon<sup>60</sup> a list of Central American customs officials to be bribed at the direction of Munther Bilbeisi in connection with smuggling coffee to the United States.<sup>61</sup>
  - b. Tony Aramburo received kickbacks or commissions for smuggling coffee into the New Orleans, Louisiana at the direction of Munther Bilbeisi.<sup>62</sup>

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<sup>59</sup> Affidavits of Steve Calderon, Joseph Villalba and Jose Antonio Otano filed as Exhibits 1-3 to Plaintiff's Motion for Sanctions file dated 3/12/91; DE 989.

<sup>60</sup> A former top assistant in Anastasio Somoza's Nicaraguan government.

<sup>61</sup> 11/3/89 deposition of Carlos Dubon, pp.149-154 and 161-2.

<sup>62</sup> 11/16/89 deposition of Jay Anthony Aramburo, pp. 69-72; pp.99-104 and 125-129.

# **MEMORANDUM**

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- c. Tony Aramburo received seven checks for \$9,000 each totalling \$63,000 for coffee smuggled into the United States on 5/1/86. Amount broken down into seven checks by agreement that payments would be in checks of \$9,000 or less. Bilbeisi told Aramburo checks would show as coffee purchases in Coffee, Inc.'s records so that Aramburo would not have to pay income tax on payments.<sup>63</sup>

**C. Attempted Bribery, Subornation of Perjury and Obstruction of Justice**

**1. Admissions as to Insurance Fraud**

- a. Munther Bilbeisi admitted to his personal yacht captain that the subject insurance claim was a fraud and the employees of Coffee, Inc. were fully aware of the fraudulent nature of the claims.<sup>64</sup>
- b. Munther Bilbeisi admitted to the three CCT officers he used to smuggled coffee that the subject claim was fraudulent and that if they testified falsely in support of the claim, "there would be enough money in it for everyone".<sup>65</sup>

**2. Bribes to Coffee, Inc.'s Accountant**

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<sup>63</sup> Aramburo deposition, 11/17/89, pp.58-60.

<sup>64</sup> Affidavit of Theodore F. Sorg attached as Exhibit 1 to Supplement to Plaintiff's Appeal of the Objections to Magistrate's Orders Dated March 12, 1990 (file dated 3/23/90; DE 587).

<sup>65</sup> Affidavits of Steve Calderon, Joseph Villalba and Jose Antonio Otano filed as Exhibits 1-3 to Plaintiff's Motion for Sanctions file dated 3/12/91; DE 998.



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- a. Bilbeisi paid Kenneth Grushoff \$50,000 in cash to falsify the books and records of Coffee, Inc. prior to an audit by the Internal Revenue Service.<sup>66</sup>

## 3. *Bribes to "Expert" Witnesses*

- a. Bilbeisi offered Victor Hinijosa 10% of any sums paid by "Lloyd's of London" to falsely testify under oath that Hinijosa had personal knowledge of "coffee switch" in Guatemala.<sup>67</sup>

## D. *Affidavits of Steve Calderon, Joseph Villalba and Jose Antonio Otano*

Virtually all of the witnesses and participants in Bilbeisi's coffee smuggling scheme identified 3 men -- Steve Calderon, Joseph Villalba and Jose Antonio Otano, dubbed by Bilbeisi as the "boys" -- as having the most central role in smuggling Bilbeisi's coffee out of Central America into the United States. After 2 years of unsuccessful attempts by attorneys for Lloyd's to depose the "boys", Calderon, Villalba and Otano recently waived their Fifth Amendment privilege against self-incrimination and provided statements outlining their participation in the coffee smuggling scheme.

### 1. *Bilbeisi's Coffee Smuggling Scheme*

The "boys" essentially confirmed Tony Aramburo's testimony as to how Bilbeisi smuggled the coffee from Central America into the United States (i.e., through phoney transshipments and manifests showing containers falsely labeled as "short-shipped" or "empty") using containers owned by the company they worked for, Coordinated

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<sup>66</sup> Affidavit of Theodore F. Borg attached as Exhibit 1 to Supplement to Plaintiff's Appeal of the Objections to Magistrate's Orders Dated March 12, 1990 (file dated 3/23/90; DE 587).

<sup>67</sup> Mr. Hinijosa is the "expert" witness identified by Coffee, Inc. who purportedly inspected samples of the "switched" coffee but has avoided service of all deposition subpoenas served by Plaintiff. Affidavit of Theodore F. Borg attached as Exhibit 1 to Supplement to Plaintiff's Appeal of the Objections to Magistrate's Orders Dated March 12, 1990 (file dated 3/23/90; DE 587).

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Caribbean Transport, Inc. During most of 1983, the "boys" imported non-quota coffee purportedly for transshipment to Aqaba, Jordan which was actually unloaded at the Port of Miami, Florida. Most of the CCT employees were under the impression the shipments were legitimate since the ocean freight was pre-paid to Jordan by Coffee, Inc.

For their participation in the scheme, the "boys" were paid commissions of \$12.00 per bag while the CCT contact in the origin country (Honduras, El Salvador or Guatemala) were paid \$5.00 per bag and were advanced expenses to bribe truckers, trucking check point officials and port officials in the origin countries. The largest cut went to the suppliers in the origin countries who always knew the coffee was to smuggled.

During last 1983 and 1984, Bilbeisi relied more heavily on the short-shipment and empty trailer methods. As time progressed, Bilbeisi's commission payments to the "boys" lagged further and further until they were no longer willing to smuggle coffee for him. After repeated demands for Bilbeisi to pay \$375,000 he owed them, Bilbeisi procured a copy of Tony Otano's foreign bank account with BCCI-London and showed it to Steve Calderon, explaining that Otano "had better be careful with his money". This apparent display of power and access to BCCI (see also immediately below) impressed the "boys" sufficiently for them to drop their claim.

**2. Involvement of Bank of Credit and Commerce International**

The "boys" accompanied Bilbeisi to several meetings with BCCI bank officers but were rarely present during the actually meetings. They identified Hamid Khan, Grace Perez and Nadim Hassan as the officials Bilbeisi dealt with most frequently.

Nadim Hassan was the manager of the Boca Raton branch, which Bilbeisi boasted was opened almost solely to service his business. Bilbeisi also boasted of his power and influence with BCCI, claiming to have many of its officers "in my pocket". Transfers of money or gifts by Bilbeisi to the BCCI officers were rarely witnessed by the

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"boys"; their actual knowledge of such transfers was limited to instances in which Bilbeisi gave them televisions, videocassette recorders and the like. However, Tony Otano recalls handing Bilbeisi approximately \$1,000 in cash at his request which Bilbeisi combined with an undetermined of his own cash to give to Nadim Hassan as a gift.

On several occasions, Bilbeisi met with Nadim Hassan in the presence of one or more of the "boys" and discussed arrivals of shipments in a manner leaving no doubt as to the illicit nature of the operation. This made the "boys" so uncomfortable that Tony Otano ultimately protested to Munther Bilbeisi, who replied that Hassan "knows about the operation".

Nadim Hassan was also present at the "final settlement" conference between the "boys" and Bilbeisi in which the latter sought to withdraw his stake in the trailer companies set up by Calderon.<sup>89</sup> Nadim Nassan structured the cash-out of Bilbeisi's interests (approximately \$700,000 by establishing a "loan" from BCCI to the "boys" (in the amount of \$233,000 each) to assume Bilbeisi's share and to explained that the bank examiners would never know the true collateral. Hassan structured the transaction to appear as if BCCI's security consisted of UCC-1 notes on all of the equipment when in fact it consisted of funds frozen in three (3) foreign bank accounts set up at BCCI-London, England.

Nadim Hassan set up the BCCI-London accounts for the "boys" in the name of three (3) foreign corporations, Labaro, S.A., Chevere, S.A., and Franjuli, S.A. [this explains the Coffee, Inc. payments to those accounts ultimately endorsed by the "boys"]. This arrangement permitted Bilbeisi to expense under-the-table payments to the "boys" as "coffee purchases" to three (3) foreign corporations sounding like Central American coffee suppliers.

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<sup>89</sup> Calderon stated that because Bilbeisi trusted him the least, Bilbeisi was uncomfortable having his capital tied up in an operation under Calderon's control.

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### 3. Bilbeisi's Admissions and Solicitations of Insurance Fraud

Bilbeisi often discussed insurance fraud schemes with each of the "boys" such as having a container laden with inferior quality coffee driven off a cliff and filing an insurance claim for the value of superior quality coffee purportedly in the container. Bilbeisi considered false insurance claims to be a "hedge" against economic downturns and constantly pointed out that insurance fraud was "easy to do" because "he got away with it" several years ago. Bilbeisi stated he had pallets of bricks imported from South Africa deliberately broken but gave no further details. Bilbeisi stated that "Lloyd's" paid him "lots of money" only a few months after filing the claim.

Bilbeisi did not directly inform them of a plan to burn the Twin Terminals warehouse<sup>68</sup> in late 1985 [they had broken up with Bilbeisi by this point] but they recall hearing of such a plan through Frank Aravelo, operator of Twin Terminals. When the "boys" finally found out about the subject claim through a subpoena served by counsel for Lloyd's in April 1989, they agreed that Bilbeisi "finally did it", speculating that the precipitous drop in the price of coffee would have caused a man who consistently boasted about committing insurance fraud to file a fraudulent claim.

### 4. Bilbeisi's attempts to suborn perjury

The "boys" avoided Bilbeisi following their acrimonious split in early 1985 for about four (4) years until they needed his cooperation in a collateral matter in February 1989.<sup>69</sup> Because Bilbeisi never mentioned the coffee claim in any of their meeting during early 1989, the "boys" were unaware of the lawsuit until they were served with deposition in April 1989.

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<sup>68</sup> A Miami, Florida warehouse where Bilbeisi rebagged and stored the smuggled coffee beans pending resale of New York roasters.

<sup>69</sup> The "boys" needed an affidavit from Bilbeisi because he was the only witness to a meeting in which they were advised by a law attorney to set up foreign corporations to receive "testimony" funds from Bilbeisi in order to reduce their tax liability, after the advising attorney later refused to confirm his advice during a 1989 tax audit.

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Soon thereafter the "boys" contacted Bilbeisi in Jordan to find out why they were involved in a claim concerning a 1986 shipment occurring long after they had parted ways with Bilbeisi. The "boys" protested that Bilbeisi's claim was costing them substantial attorneys fees to avoid giving their depositions and incriminating themselves as well as hurting other innocent people while Bilbeisi remained above the fray in Jordan. Bilbeisi replied that he would "share Lloyd's money" if they would cooperate because the case was "well in hand" and an impending discovery cutoff would "force Lloyd's to settle". Bilbeisi offered to pay their attorneys' fees to avoid testifying, stating that "there's money in here for everyone" and "you don't have to work for the rest of your lives" if they cooperated.

Following Tony Aramburo's deposition,<sup>71</sup> the "boys" received facsimiles from Jordan describing two (2) versions of a possible Bilbeisi response to the Aramburo testimony and inquiring as to which version Bilbeisi should use. Both versions, equally false, described a scenario wherein the "boys" would purchase coffee in Central America and Bilbeisi would purchase it spot Miami. The "boys" were astonished that both versions fully exonerated Bilbeisi while in effect hanging them out to dry (since they were allegedly responsible for all coffee purchases).

The "boys" contacted Bilbeisi in Jordan immediately thereafter to express their unwillingness to perpetuate his fraud. Bilbeisi replied that "if I get hurt, you will get hurt" since Aramburo's testimony would incriminate all of them. Bilbeisi stated that if the "boys" lied, it would be Aramburo's (described by Bilbeisi as a "cheat") word against everyone else's. Bilbeisi added "my attorneys will get you off the hook".<sup>72</sup>

## **5. Knowledge of Insurance Fraud by Bilbeisi's Michigan Counsel**

<sup>71</sup> In which he described his participation in Bilbeisi's coffee smuggling operation and incriminated himself as well as Bilbeisi.

<sup>72</sup> Like all of Bilbeisi's promises, this one was broken too. Blake Coffey in Coffey, Inc. employed denied that Bilbeisi ever authorized Coffey, Inc. to pay the "boys" legal fees and when they subsequently contacted Bilbeisi's Michigan counsel, Richard Postema, Postema advised them that it wouldn't look right for him or for Coffey, Inc. to directly pay their legal expenses. In the end, none of their legal expenses were paid, directly or indirectly by Bilbeisi.

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The "boys" first contacted Richard Postma after discussing the subject coffee claim with Gloria Calloway upon receipt of the subpoena in April 1989. Postma advised the "boys" that they "have nothing to worry about" since the suit was proceeding well for Bilbeisi and Bilbeisi had a bad faith claim pending against Lloyd's. Postma explained that Lloyd's attorneys were making a desperate move to attempt to "get Bilbeisi indirectly" by threatening witnesses with Internal Revenue Service investigations.

Tony Otano advised Postma in a "roundabout way" that it would not be in Bilbeisi's best interests for him to testify truthfully since Bilbeisi was not being truthful to Postma. The "boys" struggled with what they could tell Postma without incriminating themselves and still convey the notion that Bilbeisi's claim was fraudulent. Postma repeatedly contacted them by telephone, especially after Tony Aramburo's deposition in July 1989, in an attempt to find out what the "boys" knew. They repeatedly told Postma that Aramburo's testimony about the smuggling scheme was true and correct and advised Postma to ask Bilbeisi about the smuggling scheme.

Immediately after the receipt of the two (2) telexes from Bilbeisi in Amman, Jordan in which he attempted to direct their testimony, the "boys" advised Postma that they were unwilling to lie for Bilbeisi. Although they did not "in so many words" explicitly tell Postma or Gass that the subject claim was fraudulent or that Bilbeisi had been smuggling the covered coffee for several years (because they were unwilling to incriminate themselves), they have no doubt that Postma clearly understood both to be true. All of their contact with Postma and Gass took place during 1989 (i.e., prior to the entry of a protective order as to the depositions of the "boys") -- more than nine (9) months before the Michigan law firm moved to withdraw from the case in September 1990.

**E. Participation of Bank of Credit and Commerce International**

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The coffee smuggling scheme would not have been possible without the participation of a bank institution willing to underwrite the venture in exchange for a share of the profits in order to facilitate the transfer of millions of dollars across international borders. All of the smuggled coffee purchased by Bilbeisi's wholly-owned corporations was financed through BCCI international letters of credit and cashiers checks under the name of any of the accounts comprising the "Bilbeisi Group" of accounts -- Coffee, Inc., Orion Systems, Inc., Mura International, S.A. and of course Munther Bilbeisi. The condition for issuance of the international letters of credit -- over 30 have been discovered to date -- was for Bilbeisi to obtain insurance for the smuggled coffee in case anything went wrong. Bilbeisi obtained that insurance without disclosing his name through Lloyd's of London.

**1. BCCI's Partnership with Bilbeisi: 1983 through 1987**

Between 1983 and 1985, in excess of \$105 million in international letters of credit were issued by the BCCI-Miami agency for the purchase of Central American coffee by one of Munther Bilbeisi's companies, purportedly bound for the Middle East. In fact, none of the coffee ever reached the Middle East but was instead smuggled into the United States -- with the knowledge of BCCI officers. All of the letters of credit were structured to resemble legitimate transactions, expressly providing for stringent adherence to certification requirements concerning confirmation that the coffee was for export to the Middle East. On the eve of the consummation of each deal, however, Bilbeisi mysteriously "waived" his requirements that these documents show conformance with these regulations.

The purchase of smuggled coffee was also facilitated by the use of cashiers checks issued by the BCCI-Miami and BCCI-Boca Raton agencies. In one instance, 31 cashiers checks totalling \$765,000 were issued on the same day by BCCI-Miami at Bilbeisi's request in the name of a Bilbeisi employee, who in turn endorsed several of the checks to Central American suppliers of smuggled coffee. Some of the other checks were

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endorsed back to Bilbeisi himself.<sup>73</sup> In addition, BCCI facilitated the transfer of millions of dollars to offshore accounts at BCCI's branches in Nassau, Bahamas, and Panama City, Panama.

In exchange for their assistance in coffee smuggling and money laundering, Bilbeisi made kickbacks and gifts to several BCCI bank officers, including the head of a special Boca Raton agency specifically set up to "service" certain "high net worth" customers.

Many of the kickbacks consisted of "gifts" such as payment for houses, prayer rugs and even prostitutes.

**2. Complicity in Insurance Claim**

When Bilbeisi filed his fraudulent insurance claim, he supported the claim with documentation he could have received only from BCCI (e.g., the front sides of cashiers checks allegedly constituting the payment for the "switched" coffee). Despite repeated demands to produce the endorsement side of the cashiers checks constituting the claim, BCCI withheld or concealed the endorsement side of all the cashiers checks provided to Bilbeisi, with the sole exception of the few checks consistent with Bilbeisi's claim.

Moreover, a "file" containing documents in support of Bilbeisi's that 12,000 150-lb. bags of his coffee were "switched" in Guatemala miraculously appeared when BCCI responded to a subpoena for documents in the late 1989, although the files from which it came were all supposedly produced in their entirety more than a year earlier. Lloyd's claims the documents were "inserted" into BCCI's files long after the fact as part of an agreement with Bilbeisi to corroborate his insurance claim because they were not date-stamped. In addition, Lloyd's contends, if the documents corroborating an insurance loss in May 1986

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<sup>73</sup> Nevertheless, all of the checks were submitted as part of Bilbeisi's coffee claim as "proof" he purchased the coffee in Central America.



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were actually received in the ordinary course of business, they would have triggered an immediate inquiry by the bank into the integrity of its collateral for a \$3,500,000 loan.

**3. Deposition of Marcelle Walters and Kickbacks to BCCI Employees**

In the cashiers checks of the BCCI-Boca Raton agency seized by the Internal Revenue Service together with the rest of that branch's records, a series of 12 cashiers checks totalling \$70,807 were found dated between May and August of 1984 and payable to a bank employee named Marcelle Walters. The corresponding tissue copies indicated the checks had been issued to generate "cash for Munther Bilbeisi".

In her deposition taken in the presence of BCCI's investigators, Ms. Walters testified that although the checks were ostensibly payable to her, she received none of the proceeds. Rather, Ms. Walters was acting at the direction of bank officers, Nadim Hassan, Hamid Khan and/or Sadiq Hamidani, who instructed her to withdraw the cash from another bank across the street and turn the cash over so that these bank officers could turn the funds over to Munther Bilbeisi. Many of the checks contained no account number against which they were debited.

Ms. Walters also testified that she never actually saw the cash in question handed over to Mr. Bilbeisi. In fact, she did not know whether the bank officers kept the cash under Mr. Bilbeisi's direction.

**4. Financing of Bilbeisi's Sale of Helicopters to Guatemala and Bribery of Public Officials to Block Investigation**

Lloyd's contends that Bilbeisi's attempted sale of S-76 helicopter gun ships from Jordan to Guatemala<sup>74</sup> and completed sale of 3 civilian helicopters financed through BCCI was also an attempt to bribe Guatemalan public officials connected with the sale in

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<sup>74</sup> See 11.B. above.

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order to block Lloyd's investigation of the coffee smuggling scheme. The armed and civilian helicopter sales were financed by international letters of credit issued by BCCI-Miami for \$34 million and \$5 million, respectively, in 1987. Lloyd's investigation uncovered documents showing evidence of payoffs to Guatemalan government officials, generals and even then-president's brother by Bilbeisi. The helicopter transaction was handled in Guatemala by Bilbeisi's employee, Louis Altemar, whose name appeared on several checks produced by Bilbeisi in support of his coffee claim. During 1987 and 1988, while Altemar was in Guatemala handling the proposed arms transactions, Bilbeisi indicated he thought Altemar "switched" his coffee while Lloyd's investigators futilely attempted to find Altemar in Florida. Altemar ultimately admitted his role in the coffee smuggling scheme when it became apparent that Bilbeisi was blaming him for the loss at the same time Bilbeisi was attempting to hide Altemar in Guatemala.

Ironically, when the BCCI-Miami agency applied a \$400,000 guarantee out of the \$5 million letter of credit in favor of Bilbeisi's company, Mura, to the overdraft in the name of Bilbeisi's other company Coffee, Inc., Mura sued BCCI for fraud and theft. During his deposition in the course of the lawsuit, Bilbeisi identified BCCI as standing for "Bank of Crooks and Criminals International". The relatively insignificant settlement of the suit (less than \$50,000) is cited by Lloyd's as evidence that the entire lawsuit was a sham to disguise the conspiracy between Bilbeisi and the bank.

5. **Guatemalan Extradition Order for Munther Bilbeisi and Removal of Appellate Judges for Bribery**

After conducting its own coffee smuggling investigation, the Republic of Guatemala issued an arrest warrant and request to the United States Department of State for the extradition of Munther Bilbeisi to Guatemala. Immediately after Lloyd's cited these Guatemalan judgments of criminal wrongdoing in support of its civil case against Bilbeisi in

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Florida at the end of 1990, attorneys for Bilbeisi unveiled an appeal which purportedly "overturned" the arrest warrant and request for extradition. Unfortunately for Bilbeisi, the wrong appellate court (i.e., one without jurisdiction over the trial court) entered the purported "reversals" and the appellate court judges were dismissed from their posts for acceptance of bribes. The current Guatemalan administration has reaffirmed the judgments and extradition orders entered against Bilbeisi during the prior administration of Vinicio Cerezo.

**F. Lloyd's Racketeering Claim Against BCCI and the Other Participants in Bilbeisi's Coffee Smuggling Conspiracy**

The various syndicates of underwriters at Lloyd's of London have expended substantial sums to investigate and dispute Bilbeisi's fine arts and coffee insurance claims for "losses" supposedly totalling in excess of \$6 million in addition to treble bad faith damages. After uncovering evidence of the international coffee smuggling coffee conspiracy and BCCI's participation, certain Lloyd's underwriters filed a racketeering suit in federal court in Miami against the members of the conspiracy in order to recover their damages -- attorneys fees and investigative costs -- attributable to the fraudulent claims. BCCI has strenuously denied its involvement in the scheme and has engaged the well-connected Washington, D.C. law firm of Patton, Boggs & Blow to defend the suit.

United States Magistrate Linnea R. Johnson, a former assistant United States attorney, has presided over the case with a firm hand. On March 26, 1991, she entered an Order prohibiting BCCI from removing or destroying records as it attempts to close down its banking operations and withdraw from the United States. Over BCCI's strenuous objections, the Court also entered Orders on May 22 and June 3, 1991 requiring BCCI to show its original logs and registers to Lloyd's, which has alleged that BCCI has concealed or destroyed records.

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**G. Bilbeisi and Grushoff Indictments**

Although Lloyd's has charged Bilbeisi and his co-conspirators with a laundry list of illegal acts including coffee smuggling, arms dealing, bribery, subornation of perjury, customs violations and money laundering, the easiest charge to prove from the criminal point of view is tax evasion. Following a multi-year grand jury investigation, the United States government is expected to charge Bilbeisi and several of his co-conspirators with exactly that -- knowingly filing false or fraudulent tax returns.

**H. Related Racketeering Actions Against BCCI**

In a related action, the Republic of Panama filed a racketeering lawsuit against BCCI based on the bank's alleged money laundering on behalf of General Manuel Noriega.<sup>75</sup> The illegal methods allegedly employed by BCCI to move substantial sums of money across international borders on behalf of drug smugglers and arms dealers are similar to those which Lloyd's contends BCCI used on behalf of Munther Bilbeisi.

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<sup>75</sup> *Republic of Panama v. BCCI Holdings (Luxembourg), S.A.*, No. 80-2913-Civ-Pyokurmp.

**MEMORANDUM**

**TO:** Richard Alan Lehrman  
**FROM:** James F. Dougherty, II  
**DATE:** September 16, 1991  
**RE:** Failure of United States Customs to indict Munther Bilbeisi and BCCI for Customs violations as of June 15, 1983

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**PRIVILEGED & CONFIDENTIAL**  
**ATTORNEY-CLIENT COMMUNICATION**

1. Exhibit "1" - List of Jordanian officials;
2. Exhibit "2" - August 11, 1991 *New York Post* report which confirms F.B.I. memorandum from Special Agent Walter Stowe of a scheduled meeting in Atlantic City on December 21, 1982 between Tommy Vostolla with Munther Bilbeisi, including a telex dated December 21, 1982 from Munther Bilbeisi to mob company in Atlantic City - Alan & Company;

In short, Bilbeisi and BCCI are in the FBI-NCIC computer on December 20, 1982.

3. Exhibit "3" - January 26, 1983 internal letter from Bilbeisi to BCCI listing occupations as "arms dealer" and "coffee merchant;"
4. Exhibit "4" - June 15, 1983 internal memorandum confirming coffee smuggling notice given by United States Customs to all branches - Tampa, New York and Jacksonville - of illegal introduction of coffee into the United States involving Bilbeisi, Otano and Villalba
5. Exhibit "5" - June 22, 1983 internal memorandum of "technical smuggling" of green coffee in violation of the ICO-Counterfeit of false certificates of origin are used - (per se violation of the United States Code);
6. Exhibit "6" - Internal documents of United States Customs reflecting violation of United States Code involving taking out \$50,000

**PRIVILEGED & CONFIDENTIAL**  
**ATTORNEY-CLIENT COMMUNICATION**

on September 13, 1983 by Munther Bilbeisi at BCCI bank (6 pages);

7. Exhibit "7" - May 27, 1987 letter of Munther Bilbeisi to Guatemalan military for sale of S-76 Sikorsky helicopters to be converted to gunships;
8. Exhibit "8" - August 28, 1987 internal memorandum of Munther Bilbeisi boasting of gift of over \$15,000 general purpose bonds;
9. Exhibit "9" - January 29, 1988 letter from Munther Bilbeisi to Washington DC lawyer John O'Connell on the purchase of F-5 and F-5B Northrop Jet fighters;
10. Exhibit "10" - October 17, 1988 payoff sheet on bribes to the President of Guatemala's brother and military staff from Bilbeisi to Alberto Coppo;
11. Exhibit "11"- July 20, 1989 letter from William Rosenblatt, United States Customs Washington in which a meeting is scheduled for July 27, 1989

"The Commissioner has requested that I speak to you concerning the ongoing investigation of Coffee, Inc. I have been informed by my Tampa and West Palm Beach, Florida, offices that you have provided significant investigative assistance relative to the nefarious activities of Muenther [sic] Bilbeisi d.b.a Coffee, Inc. The issues you have raised are currently under investigation by the United States Customs Service and respective United States Attorney's Office.

I would be pleased to meet with you to discuss matters of mutual concern. Please contact Ms. Lorraine A. Lasch, at (202) 566-2416 to arrange a meeting."

Rosenblatt states at the conference that this is a paper case and United States Customs will not be interested in pursuing either illegal coffee smuggling or arms transactions.

**PRIVILEGED & CONFIDENTIAL  
ATTORNEY-CLIENT COMMUNICATION**

12. Exhibit "12" – February 6, 1991 letter from John E. Hensley to James F. Dougherty, II wherein Mr. Hensley states:

"It has come to my attention that you have provided significant assistance to the Customs Service in its efforts to curtail the flow of illicit drugs into the United States. Your efforts and those of other concerned citizens are a source of great satisfaction and pride to the Customs Service. It is through [sic] mutual trust and support, between Law Enforcement and the private sector, that the drug epidemic will be curtailed and eventually extinguished.

Your unselfish contributions serve as an example of that can be achieved through teamwork. Congratulations on a job well done. I wish you continued success in your personal endeavors and look forward to your continued support of the Customs Service and its mission."

**WE HAD GIVEN THE UNITED STATES CUSTOMS OVER 25 TIMES ALL OF THE VARIOUS METHODS OF COFFEE SMUGGLING DURING THE YEARS 1987 THROUGH 1991 WHICH PERMITTED UNITED STATES CUSTOMS AS OF JANUARY, 1991 TO FINALLY INDICT AND ARREST INDIVIDUALS FOR COCAINE SMUGGLING WHO WERE USING THE SAME METHODOLOGY FOR COCAINE SMUGGLING THAT WAS USED BY OTANO, CALDERON AND VILLALBA FOR COFFEE SMUGGLING AS OF JUNE, 1983!**

**United States Customs has documented as of June 15, 1983 knew of an ongoing coffee smuggling operation:**

1. Involving Munther Bilbeisi, BCCI bank, Tony Otano, Joe Villalba that involved six (6) cities - Miami, Jacksonville, Port Everglades, Houston, New Orleans and New York.
2. No attempt was made by United States Customs to either indict, arrest or seize Munther Bilbeisi for violations of United States Code, Sections 541 through 553 - copies of United States Customs violations are enclosed including entry of goods falsely classified, §541 - smuggling of goods and other clear customs violations.

**PRIVILEGED & CONFIDENTIAL  
ATTORNEY-CLIENT COMMUNICATION**

**CONCLUSION:**

The sole correct inference to be drawn from the failure of United States Customs to indict Munther Bilbeisi and the bank - BCCI - and to permit millions of dollars in illegally imported coffee come into the United States, was subsequent diversion of the money for income tax purposes was to protect General Manuel Noreiga by virtue of the clear relationship between Noriega and Geraldo Harris and BCCI bank and Munther Bilbeisi.

Uncovering the coffee smuggling operation would have caused revelation of the ongoing relationship between the CIA and General Noriega.

Allowing coffee smuggling and cocaine shipments into the United States was still one further form of improper conduct by the United States Treasury and the United States Justice Department.

If the Justice Department and United States Customs had indicted Munther Bilbeisi in the first instance in June, 1983, there never would have been a \$20 million dollar insurance claim made by Bilbeisi in January, 1987.

To compound this, if United States Customs had indicted Bilbeisi in 1988, the loss of Lloyd's would have been prevented to proceed at enormous costs to the Underwriters at Lloyd's because it would have been established by the United States Government the defense of illegality.

Allowing an ongoing criminal conspiracy to flourish between 1983 and 1987 and then allowing the statute of limitations for criminal indictment on customs violations to expire in 1990 is not criminal negligence, but criminal connivance.

13. Exhibit "13" - Affidavits of Steve Calderone, Joe Villalba and Tony Otano.
14. Exhibit "14" - BCCI-Nassau account confirming Munther Bilbeisi's hidden account in Nassau which as of March, 1984 reflects a balance of \$986,250.00.
15. Exhibit "15" - Sections of the United States Code, Customs Violations, 18 U.S.C. §541 through §547.



**PRIVILEGED & CONFIDENTIAL  
ATTORNEY-CLIENT COMMUNICATION**

**BRIBERY AND PAYOFFS:**

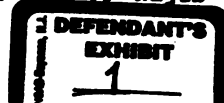
Given the history of Bilbeisi boasting that he is the official representative of the Royal Jordanian Army with documentation of arms transactions from South Africa, Honduras, El Salvador and then Guatemala, how could the United States Customs fail to prosecute him in 1989 for the sale of the S-76 helicopters with the low frequency radios as recommended by Special Agent Jeffrey Martin, United States Customs, West Palm Beach, Florida when it is clear that Bilbeisi bribed BOTH members of the Royal Jordanian Air Force and the military of Guatemala with over \$3 million dollar net profit.

How can the Congress of the United States permit continued foreign aid to Jordan when:

1. Bilbeisi is indicted and declared a U.S. fugitive for income tax evasion;
2. Bilbeisi has smuggled millions of dollars of coffee and is wanted by the governments of Guatemala and Honduras;
3. Bilbeisi brokers American-made weapons systems - Sikorski helicopters, Northrop F5 jet fighters with huge commissions without the slightest protest by the United States State Department using BCCI to broker these deals.
4. Why does not the United States Senate demand explanations of these payoffs from the government of Jordan and require that Bilbeisi be returned to the United States to face criminal proceedings when Jordan is seeking over \$150 million in U.S. aid independent of its violations of United Nations Resolution 210.

DRAMATIS PERSONAE

- MUNTHER BILBEISI**
- NAJIB BILBEISI** - Brother of Munther. Involved in Toyota distributorship in Jordan.
- MUNTHSEN BILBEISI** - Brother of Najib and Munther. Under Secretary at Ministry of Foreign Affairs in Jordan.
- FAKHRI BILBEISI** - First cousin of the above. Manager of BCCI in Jordan and hopes to buy the BCCI operation there. His photograph accompanying an article about BCCI appeared in a Jordanian Newspaper alongside an article about Lloyd's alleged involvement in intelligence operations. Has two sons who work with Prince Abdullah, son of King Hussein.
- NADIR SARTI** - Brother-in-law of Fakhri Bilbeisi. Well known arms dealer.
- SHARIF ZEID BIN SERKA** - Another brother-in-law of Fakhri Bilbeisi. Nadir Sarti and Sharif Zeid have worked together and with the sons of Fakhri Bilbeisi. Sharif Zeid has also worked with Najib Bilbeisi and Munther Bilbeisi. Nadir Sarti and Sharif Zeid have money deposited in BCCI in Jordan.
- AHMAD SHARAR** - Munther Bilbeisi's attorney in the proceedings. Has been disciplined several times by the Bar Association.
- AMBASSADOR WALEED M. SADI** - Another legal advisor to Munther Bilbeisi. Registered as an advocate but has never practised. Former Editor in Chief of the Jordan Times.
- OMAR NABULSI** - Lawyer to Nadir Sarti and Sharif Zeid. Declined to advise Jim Dougherty because of conflict of interest.
- FUAD MALIK** - Engineer in Amman. Used by Munther Bilbeisi as an intermediary to approach Sami Habayeb. Business partner of Najib Bilbeisi.



8/11/91

# '82 Atlantic City scheme is bared

By TOM ROSSING  
Daily News Staff Writer

The Mob had a friend at BCCI.

Secret FBI documents reveal that as early as 1982, mob leaders in Philadelphia and New Jersey were using the scandal-scarred Bank of Credit and Commerce International in a multi-million-dollar Atlantic City real estate deal.

Although international outlaws like Palestinian terrorist Abu Nidal and Manuel Noriega reportedly regularly used BCCI, the Atlantic City deal is the first known instance involving major mob figures and the bank. Law enforcement sources say they are currently searching for other possible BCCI-mob connections.

The documents show that Thomas (Corky) Vastola, a reputed leader of New Jersey's DeCavalcante family, and a businessman the FBI believed was fronting for Philadelphia mob boss Nicodemus (Little Nicky) Scarfo hatched a plan to transfer a huge downtown parking lot between them using BCCI money.

Teamed up with Vastola to buy the property from the Scarfo agent was Munther Bilbeisi, a Jordanian businessman who has been linked to money-laundering and smuggling in connection with BCCI, according to the FBI records.

Bilbeisi was indicted on Friday by a federal grand jury in Miami on charges of conspiracy and tax evasion. The case is the first federal criminal indictment related to BCCI since the worldwide banking scandal exploded last month.

The Pakistan-based bank, which allegedly built up a multi-billion-dollar empire through fraud, bribery, illegal arms sales and money laundering, is the target of four separate federal grand jury investigations. In addition, Manhattan District Attorney Robert Morgenthau has filed grand larceny and criminal fraud charges against the bank and two top

Law enforcement sources say they are currently searching for other possible BCCI-mob connections.

executives.

The attempted sale, which was never completed, involved a 152,000-square-foot parcel located in downtown Atlantic City. At the time, the lot was especially valuable because casino developers were scrambling to find patron parking space to satisfy local zoning regulations.

Ownership of the parcel was held by MMRT Associates, a partnership that included Kenneth Shapiro, a businessman identified by federal authorities as Scarfo's front for Atlantic City real estate deals.

According to the FBI records, agents were alerted by an informant that Vastola and Shapiro planned a Dec. 31, 1982, meeting to discuss the sale at the Atlantic City offices of Sea-Tax Ltd., a company in which Shapiro was a partner.

The records include a telegram, dated Dec. 31, from Bilbeisi to MMRT, in which Bilbeisi makes an \$18 million offer to buy the parking lot with financing from the Amman, Jordan, branch of BCCI, headed by Bilbeisi's brother, and three other foreign banks.

In the telegram, Bilbeisi, who signed himself as president of Orion Systems Inc. of Boca Raton, Fla., cited the BCCI financing "as evidence of our financial capability to

consummate the proposal."

According to a source familiar with the deal, FBI agents observed the meeting and photographed Bilbeisi and Vastola entering Shapiro's office. Since the FBI's focus at the time was on mob dealings in Atlantic City, neither Bilbeisi nor BCCI were targeted for investigation, the source said.

Bilbeisi and BCCI's brief involvement in the deal resurfaced this year after the bank became a major Justice Department target.

The property was sold in January 1983 to a partnership that included Panthouse publisher Bob Geccone, MMRT and other partners to be used for a parking lot for a hotel-casino Geccone planned nearby.

Shapiro was later named in a 1984 case as having paid \$95,000 in bribes to former Atlantic City Mayor Michael Matthews related to zoning variances for the parking lot and other sites. He was not charged and could not be reached for comment.

Vastola, currently in prison for racketeering, made news last year when it was revealed that the FBI had warned him he had been targeted for execution by reputed Gambino godfather John Gotti.

Bilbeisi is reportedly living in Jordan.

DEFENDANT'S  
EXHIBIT

2

FD-209 (Rev. 7/9/79)

UNITED STATES GOVERNMENT

## M E M O R A N D U M

Date: 12/23/82

TO : SAC (137A-22152) (INV)

FROM : SA WALTER B. STOWE, JR. (M-6)

SUBJECT : NY 6962-OC

Dates of Contact  
12/20/82

File #s on which contacted (Use titles if file #s not available)

P [REDACTED]

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## Purpose and results of contact

☐ NEGATIVE

☒ POSITIVE

☐ STATISTIC

"SEE ATTACHED INSERT."

THIS FD-209 SERVES AS A CHANNELIZATION COVER SHEET ONLY. IT IS NOT TO BE FILED IN ANY SUBSTANTIVE CASE FILE AND IS NOT TO BE INCLUDED IN ANY REPORT. REMOVE PRIOR TO FILING ATTACHED INSERT.

## PERSONAL DATA

1 - [REDACTED]

WBS:PS  
(2)

137-22152-P-215

SEARCHED	INDEXED
SERIALIZED	FILED
DEC 26 1982	
FBI - NEW YORK	


NY 137A-23152

WBS:pg

1

On December 20, 1982, NY 6962-OC provided the following information to Special Agent WALTER B. STOWE, JR.:

There is a meeting scheduled on December 21, 1982, at Seater, Ltd., in Atlantic City involving a proposed parking lot project. THOMAS "Corky" VASTOLLA is to be present along with some investors he is introducing into the project. The investors are from Florida and supposedly have connections to "Arab money".



YES  
OK I HAVE A TELE FOR U

DEC 21 1209P EST

CTA APTAMPI

003V-80F NOTAR  
DUNES LBD ATC

WU MOD ATL  
DEC 21 1209P EST

4-0097898355-001 12/21/82  
ICS IPMATPA ATC  
RETRIEVAL REPLY: 4-0193565355 ATA 031 ICS IPMTTZ CSP  
3053685055 TDMT BOCA RATON FL 132 12-21 1138A EST  
PMS DUNES-ELRANCH RPT DLY MGM, TXH 5106888503  
ATLANTIC CITY NJ

THIS TELEGRAM IS TO EXPRESS OUR INTEREST IN PURCHASE OF YOUR PROPERTY WHICH WE UNDERSTAND TO BE APPROXIMATELY 152,000 SQUARE FEET OF BLOCK 153 ON THE TAX MAP OF ATLANTIC CITY NJ. IN VIEW OF THE FACT THAT THIS PROPERTY HAS ONLY BEEN BROUGHT TO OUR ATTENTION ON THIS DAY WE NEED APPROXIMATELY THREE WEEKS TO MAKE A CONCRETE OFFER WITH PRECISE TERMS AND CONDITIONS. HOWEVER WE CONTEMPLATE AN OFFER IN THE AREA OF 18 MILLION DOLLARS ALL CASH. PLEASE REFER TO THE BELOW AS EVIDENCE OF OUR FINANCIAL CAPABILITY TO CONSUMMATE THE PROPOSAL CONTEMPLATED BY THIS TELEGRAM

OUR BANKERS ARE THE BANK OF CREDIT AND COMMERCE INTERNATIONAL AMMAN JORDON, THE ARAB BANK LTD AMMAN JORDON, THE ARAB BANK (OVERSEAS) LTD. GENEVA SWITZERLAND, BANQUE DE PARIS ET DES PAYS-BAS (SUISSE) SA GENEVA SWITZERLAND  
M. BILBEISI PRESIDENT, ORION SYSTEMS, INC  
855 SOUTH FEDERAL HWY SUITE 204  
BOCA RATON FL 33432

1207 EST  
DUNES LBD AC

WU MOD ATL  
DID U RECV OKYES  
OK HAVE A GOOD DAY NOW BYE BYE

WU MOD ATL

On March 16, 1982, NY 6962-OC furnished the following to Special Agents (SAs) WALTER B. STONE, JR. and STANLEY T. NYE, JR.:

CORKY VASTOLA, a New Jersey LCN figure with cross-family ties between the GENOVESE and LUCHESE LCN Families, has widespread influence in the entertainment industry, especially in New York City, Atlantic City, Las Vegas, and Chicago. In particular, VASTOLA handles arrangements regarding the booking of night club acts in Atlantic City and New York City. Because of his influence, VASTOLA deals frequently with FRANK GERACE, head of Local Union 54, Hotel, Restaurant Workers, and Bartenders, and RON BARTA from Atlantic City. BARTA has interests in the Tropicana and the Golden Nugget.

One device used by VASTOLA in the entertainment industry to generate and launder money lies in factor financing of performances, expositions, and boxing matches. VASTOLA controls Allen and Company, an investment firm in both New York City and Chicago, which performs factor financing among other functions. Money to be moved to entertainment recipients from LCN sources, like VASTOLA, is given to the factor by the LCN source with the factor designating a specific recipient for the funds. The LCN source receives a return on his money and an interest in the entertainment recipient; the recipient receives financing, albeit at a stiff rate of return, and the factor receives a kickback to sweeten the deal.

Another entertainment interest of VASTOLA is in the recording industry. VASTOLA has influence in both the legitimate and pirate record and tape industry. With VASTOLA's controlled record distributors moving both legitimate and pirated tapes and records, VASTOLA can effectively derive profits from all angles and record production.

NY 137A-22192

WBS:pg

1

On December 20, 1982, NY 6962-OC provided the following information to Special Agent WALTER B. STOWE, JR.:

There is a meeting scheduled on December 21, 1982, at Seater, Ltd., in Atlantic City involving a proposed parking lot project. THOMAS "Corky" VASTOLLA is to be present along with some investors he is introducing into the project. The investors are from Florida and supposedly have connections to "Arab money".



ORIGIN

MUNTHER BILBEISI

899 So. Federal Highway, Suite 204  
Boca Raton, Florida 33432 U.S.A.

TELEPHONE: (305) 366-9093  
TELEX: 264089 MURA UN

January 26, 1983

The Manager  
Bank of Credit and Commerce  
International  
1200 Brickell Avenue  
Miami, FL 33131

Dear Sirs:

Attached please find a summary of my assets and holdings here in the United States and in Europe and Jordan. These documents should serve to validate my financial stability.

In October 1967, I left the services of my father, at which time I began business on my own with a capital of \$1,500.00. My contracts in military and defense equipment with Qatar, East, West, Central and South Africa, Central America, South America, Caribbean and other countries proved to be very successful. I then diversified to commodities and supplied the Jordanian government with twenty thousand tons of sugar, and was also the major supplier of cement clinker to the Kuwait Cement Company.

In December 1977, my father passed away, leaving myself and my brothers heir to his estates and various companies. As I became more involved in the family businesses, which are well known to your establishment, I dropped my private interests to devote more time to the administration of our family holdings.

I came to the United States in 1976, where I purchased a home in Florida with the intention of spending the winter months here in semi-retirement. I recently sold my home in Geneva, Switzerland, and maintain only my residences in England, Spain, Jordan and the United States.

I have decided to enter into a business relationship with my long-time friend and former business partner from El Salvador, Mr. Mauricio Salavarría. Mr. Salavarría, whose entire family background has been in the coffee business for generations, is involved in a locally successful coffee roasting operation called "Himalaya."

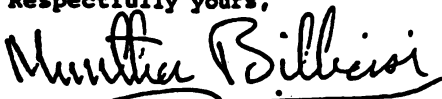


Page Two  
January 26, 1983  
Bank of Credit and Commerce Int'l

He and I recently decided to become partners in this venture as we are both convinced that the long term possibilities are exceptionally inviting and profitable in the coffee industry. Also, with Mr. Salavarrria's connections he has managed to obtain a semi-concession from Honduras to purchase raw coffee beans which we intend to export abroad. This side of the coffee business will prove to be very profitable, with very little risk.

I trust the above information will be satisfactory to you and will serve to give you an idea of my background and my goals in business for the future.

Respectfully yours,

  
Munther Bilbeisi

mag  
encs


**MURA INTERNATIONAL, S.A.**
**August 28, 1987**
**Attn: Mr. Altemar - Mr. Coronado  
Camino Real Hotel**

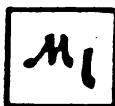
**In addition to my previous Fax, this spare parts list is included without cost for the following items:**

<u>Quantity</u>	<u>Description</u>
392	B, General Purpose
48	B, General Purpose
485	B, General Purpose
305	B, General Purpose
37	B, General Purpose
13,490	B, Practice

**Plus Pin assembly, Shaft and Drive Fuse.**

*[Handwritten signature]*  
**Regard**


**Office:**
**AMMAN, JORDAN • GENEVA, SWITZERLAND • HOLLYWOOD, FLORIDA, U.S.A. • LONDON, ENGLAND • PALMA DE MAJORCA, SPAIN**



# MURA INTERNATIONAL, S.A.

c/o 4710 N.W. 2ND. AVENUE, BOCA RATON, FL. 33431  
TEL: (305) 994 3005 TLX: 568663 FAX: (305) 994 2777

JANUARY 29, 1988

JOHN O'CONNEL, Esq.,  
#400  
900 17TH ST. N.W.,  
WASHINGTON D.C. 20006

DEAR JACK:

I AM ENCLOSING HERewith, A COPY OF THE PURCHASE ORDERS, WHICH HAVE BEEN SIGNED BY HIS EXCELLENCY THE PRESIDENT OF GUATEMALA, FOR THE PURCHASE OF FIVE SIKORSKY S-76A HELICOPTERS AND FOR SIXTEEN F-5A AND F-5B.

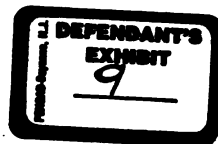
ALSO ENCLOSED, PLEASE FIND A COPY OF A LETTER ADDRESSED TO HIS MAJESTY KING HUSSEIN.

I AM PLANNING TO GO THROUGH WASHINGTON, D.C., SOMETIME NEXT WEEK, SO AT THAT TIME WE CAN FURTHER DISCUSS THE ABOVE MATTER. I WOULD APPRECIATE IT VERY MUCH IF YOU COULD PLEASE CHECK TO SEE IF OUR EFFORTS WOULD NOT BE IN VAIN, SO THAT I WOULD NOT WASTE ANY MORE TIME AND MONEY IN THIS ENDEAVOUR.

I AM LOOKING FORWARD TO SEEING YOU AGAIN AFTER SO MANY YEARS, AND AM HOPING THAT THIS BUSINESS WILL BE BENEFICIAL TO US BOTH.

SINCERELY,

MUNTNER BILBEISI  
PRESIDENT.



000183

Offices

AMMAN, JORDAN • GENEVA, SWITZERLAND • HOLLYWOOD, FLORIDA, U.S.A. • LONDON, ENGLAND • PALMA DE MAJORCA, SPAIN



DEPARTMENT OF THE TREASURY  
U.S. CUSTOMS SERVICE  
WASHINGTON, D.C.  
JUL 20 1989



ENF 1 E:EO:SD:G:I JFF


Mr. James F. Dougherty, II  
Attorney at Law  
1301 Dade Boulevard  
Miami Beach, Florida 33139

Dear Mr. Dougherty:

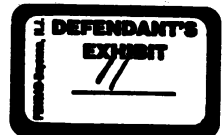
The Commissioner has requested that I speak to you concerning the ongoing investigation of Coffee, Inc. I have been informed by my Tampa and West Palm Beach, Florida, offices that you have provided significant investigative assistance relative to the nefarious activities of Muenther Bilbeisi d.b.a. Coffee, Inc. The issues you have raised are currently under investigation by the United States Customs Service and respective United States Attorney's Office.

I would be pleased to meet with you to discuss matters of mutual concern. Please contact Ms. Lorraine A. Lasch, at (202) 566-2416 to arrange a meeting.

Sincerely,

  
Wm. Rosenblatt  
Assistant Commissioner  
Office of Enforcement

301 ALE  
Conf. ALU  
3104  
DC  
262



IN THE UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 90-2976-CIV-MORENO

NICHOLAS COLLWYN STURGE, an )  
underwriter at Lloyd's, London, on )  
behalf of himself and all those other )  
Lloyd's Underwriters subscribing to )  
Policy No: CM8610275, )

Plaintiff, )

v. )

**AFFIDAVIT OF STEVE CALDERON**

MUNTHER BILBEISI, ORION SYSTEMS, )  
INC., a Panamanian corporation; )  
COFFEE, INC., a Florida corporation; )  
MURA INTERNATIONAL, S.A., a )  
Panamanian corporation; )  
BANK OF CREDIT AND COMMERCE )  
INTERNATIONAL (OVERSEAS) )  
LTD., a foreign chartered corporation; )  
COORDINATED CARIBBEAN )  
TRANSPORT, INC. n/k/a CROWLEY )  
CARIBBEAN TRANSPORT, INC., a )  
Florida corporation; TWIN TERMINALS )  
SERVICES, INC., a Florida corporation; )  
KENNETH GRUSHOFF; STEVE )  
CALDERON; JOSEPH VILLALBA; )  
JOSE ANTONIO OTANO; and )  
ARTHUR BERMAN, )

Defendants. )

STATE OF FLORIDA )  
 ) ss:  
COUNTY OF DADE )

BEFORE ME, the undersigned authority, personally appeared Steve Calderon,  
who after being duly sworn by me, deposes and says:



2. I began employment at Coordinated Caribbean Transport ("CCT") in 1979. Between 1982 and September 1983, I was Zone Coordinator and then became Director of Operations of Coordinated Caribbean Transport, an ocean freight carrier for various commodities shipped between ports in Central America and the Southeast United States.

3. I have reviewed affidavits submitted by Munther Bilbeisi in support of Defendant's Response to Plaintiff's Motion for Summary Judgment filed 4/2/90. I have also reviewed the portions of Mr. Bilbeisi's deposition taken in this action during 5/14-17, 1990, in which he discusses the purchase and importation of coffee from Central America to the United States through his wholly-owned and controlled corporations, Coffee, Inc., Orion Systems, Inc. and Mura International, S.A.

4. I met Munther Bilbeisi in late 1982. Shortly thereafter, Mr. Bilbeisi approached me with a scheme to import non-quota coffee from Central America into the United States, at a substantial profit. The substantial profits were to be generated through some or all of the following methods, depending on the requirements of a particular shipment: (1) reselling coffee obtained at non-quota prices in the United States (a quota country); (2) avoiding currency restrictions and customs duties within Central America by misrepresenting the country of origin of the coffee; (3) reselling in the United States coffee which was limited by the law of the origin country as being solely for consumption within that origin country; and (4) avoiding ocean transit fees by under-manifesting the amount of coffee in a particular container.

5. I was impressed with Bilbeisi's wealth and apparent government connections, as well as his apparent contacts in importing commodities, particularly coffee,

as being solely for consumption within that origin country; and (4) avoiding ocean transit fees by under-manifesting the amount of coffee in a particular container.

5. I was impressed with Bilbeisi's wealth and apparent government connections, as well as his apparent contacts in importing commodities, particularly coffee, from Central America. Bilbeisi said that he had the contacts to obtain the coffee but needed the equipment (i.e., inland transportation, containers and ships) to move it. I agreed to participate because Munther Bilbeisi led me to believe that we did not have exposure with United States customs, because coffee was a non-dutiable item.

6. In order to implement the scheme, the cooperation of Tony Otano and Steve Calderon was required, together with at least one contact in each country of origin (i.e., El Salvador, Guatemala and Honduras). When Bilbeisi would locate either directly or indirectly through his primary coffee supplier, Fernando Montes, a supplier willing to provide him with non-quota or domestic-consumption-only coffee to be smuggled, he would tell Tony Otano or me to advise the contact in the origin country (i.e., Heylei Ordonez in Honduras, and Humberto Hernandez in Guatemala) to obtain the coffee from the supplier. Bilbeisi advanced the particular contact in the origin country a "commission" of \$5.00 per bag, as well as expenses to pay truckers and bribe trucking check point officials, port officials and customs officials in the origin country. Our contacts in the origin countries were then responsible for advising me or Tony Otano or Steve Calderon of the departure of a shipment.

7. The initial smuggled shipments in early 1983 involved shipments of legitimate (i.e., non-quota coffee being legitimately transshipped to a non-quota



as containing only the 200 bags of the transshipped coffee. Bilbeisi decided the shipments should be sent in this manner (i.e., necessitating the payment of "full price" for shipping coffee comprising half the shipment) as a "test run", to see how closely the containers would be monitored by United States customs officials.

8. We encountered no problems with the "test run"; the containers purporting to hold the 200 bags of coffee to be transshipped, and actually containing an additional 200 bags of contraband coffee, were never inspected by United States customs officials at the Port of Miami, Florida. The contraband coffee was immediately separated from the coffee for transshipment and was trucked to a warehouse at Himalaya Coffee in Miami, Florida.

9. With the success of the initial shipments, Bilbeisi told me, Steve Calderon and Joe Villalba that he no longer needed to waste money paying the shipping costs for "legal" shipments to combine with and thus conceal the illicit shipments. Accordingly, from mid-1983 through the end of 1984, Joe Villalba, Steve Calderon and I assisted in importing the coffee using the following three (3) methods: (1) false transshipments; (2) short-shipments and (3) the use of empty trailers.

10. In all three (3) methods, coffee brokers such as Fernando Montes advised Munther Bilbeisi where he could purchase non-quota coffee or coffee restricted by law for the internal consumption of the origin country. After Bilbeisi purchased the coffee, the CCT contact in the origin country (e.g., Heylel Ordonez or Humberto Hernandez) arranged for the inland transport to the CCT terminal at the origin port (i.e., Puerto Cortez or Santo Tomas de Castilla).

11. In the false transshipment method, the CCT contact manifested the cargo as ultimately destined for Aqaba, Jordan, in order to conform with CCT bills of lading also showing an ultimate destination of Aqaba, Jordan which were submitted to Bank of Credit and Commerce International ("BCCI").

12. When the containers manifested for Aqaba, Jordan reached the United States, the "legitimate" portion of the coffee (i.e., purportedly still destined for Jordan) was separated from the illegal overstuffed portion of the shipment at the Twin Terminals warehouse in Miami, Florida. The legitimate portion of the coffee remained at Twin Terminals, and the illegal overstuffed portion was removed from the warehouse and delivered to Himalaya Coffee's warehouse in Miami, Florida.

13. Munther Bilbeisi then told us that he did not have an ultimate purchaser for the "legitimate" coffee in Aqaba, Jordan, and asked us if there was a way that we could pretend to return the remaining "legitimate" coffee to the country of origin. Together with Munther Bilbeisi, we then devised a method whereby the portion of the coffee that was to have been transshipped to Aqaba would allegedly be returned to the country of origin. In fact, the trailers returning to the country of origin were empty, and the coffee was illegally retained in the United States, and would be diverted to one of Bilbeisi's purchasers.

14. The second method was the short-shipment method. "Short-shipment" refers to a situation where containers appear on a ship's manifest, but for a variety of reasons, these containers did not actually get shipped on that voyage, e.g. a container arrived late at the origin port, or with improper documentation. When a particular container is designated "short-shipped", as far as United States Customs

was concerned, that container was never on board the ship and remained in the country of origin.

15. In the ordinary course of business, the manifest prepared in the country of origin which accompanies a departing ship is either incomplete or over inclusive. For example, the original manifest may have included containers which arrived at the port too late to be loaded on board the ship. Accordingly, after the ship departs from the origin port, an additional manifest would be prepared in the port of origin indicating the containers on the original manifest which were not in fact on board the ship. These are the "short-shipped" items.

16. For example, if ten (10) trailers, numbered one (1) through ten (10) were slated to be shipped from Honduras to Miami, the original manifest on board the ship would indicate that trailers one through ten were on the ship. If, however, trailers nine (9) and ten (10) did not arrive at the port in time for the voyage, when the additional manifest was sent from Honduras to Miami, it would be stamped indicating that trailers nine (9) and ten (10) were short-shipped, i.e., that there were not on board the vessel, and had remained in the country of origin.

17. In addition to the other legitimate short-shipped items belonging to other consignees, the additional manifest prepared by our contact in the foreign port falsely listed our containers as "short-shipped". The additional manifest was sent by courier to Miami, prior to the ship's arrival. If not already indicated on the additional manifest sent from the country of origin, Joe Villalba marked the specific manifest page listing the containers containing our coffee as "short-shipped". When the ship arrived, the additional manifest would be presented to the Customs boarding agent as

the complete manifest. As far as Customs was concerned, our containers were "short-shipped" (i.e., not on the ship).

18. In order to prevent any potential problems with Customs, we devised a method to protect ourselves from discovery. While the ship was en route, our contact in the country of origin sent us a telex stating that the containers marked "short-shipped" had been sent in error, and that they should be returned to the country of origin. Accordingly, if Customs ever discovered that the purportedly "short-shipped" containers were actually on board, we were prepared to give them the telex and tell them that the containers were going to be returned to the country of origin.

19. The third method involved allegedly empty trailers. The manifest prepared in the port of origin listed all of the trailers that were supposedly traveling empty on a separate piece of paper. In fact, we would load these trailers with coffee, and transport them on board the ship. When the trailers arrived in the port, they would be moved to the pre-staging area, and would then be moved by truckers to our designated warehouse.

20. As in the short-shipment method, we protected ourselves by having a telex sent in advance indicating that the "empty" trailers had been shipped in error, and that they should be returned to the port of origin.

21. I am aware that during his May 14, 1990 deposition, Munther Bilbelsi testified that all of the coffee imported by Coffee, Inc. during 1983 through 1987 was quota coffee shipped to the United States, and that he used Mura International, S.A. and Orion Systems, Inc. solely to ship non-quota coffee to Aqaba, Jordan and other non-quota countries. During 1983 through mid-1985 -- the time during which I was

paid by Bilbeisi to smuggle the shipments of his coffee into the United States -- no such distinction existed. During the initial stages of my involvement with Munther Bilbeisi, a small proportion (never more than one-half, and usually much less) of any consignment consisted of legitimate shipments of non-quota coffee transshipped to a non-quota country. Only a very small portion of the coffee I handled, purchased by Bilbeisi and listed as bound for Aqaba, Jordan, or any other non-quota country, in fact reached that country. The overwhelming majority of these consignments had always been intended to, and in fact always remained in the United States. These illegal shipments were performed at Munther Bilbeisi's directions to avoid lawful detection by Customs authorities in Central America and the United States.

22. Initially, for our participation in the scheme, Joe Villalba, Steve Calderon and I were paid commissions of approximately \$36.00 per bag (\$12.00 each). Some of our payments were distributed to us in the form of alleged "coffee purchases" from Coffee, Inc.'s bank accounts. During 1983 and 1984, we attended periodic meetings with Munther Bilbeisi where we discussed our commissions from the coffee smuggling operation. At these meetings we also discussed the distribution of profits from our various equipment partnerships with Munther Bilbeisi, including International Chassis Services, Consolidated Trailers and International Equipment Services.

23. Later, Bilbeisi told Joe Villalba and me that we were all partners in the business, and that our payments would be calculated as an equal share of the profits, after expenses, to be split 25% to Munther Bilbeisi and 25% to each of us. Munther Bilbeisi later told us that the split was going to be 50% for him and the remaining 50% to be split among the three of us. At no time did we ever have

complete access to all of Mr. Bilbeisi's books and records or an accurate analysis of the amounts of commissions that we were being paid on an ongoing basis.

24. Munther Bilbeisi always delayed paying me my commissions for my participation in the importation of coffee. Bilbeisi often told me that the delays in obtaining payment from his United States brokers, roasters and other purchasers were responsible for his delay in paying me my commissions.

25. In mid-1984, however, Bilbeisi's "commissions" became tardier and tardier because he advised us that he wanted to utilize our funds to equally share the financial risk in case a coffee shipment was confiscated. Bilbeisi continued to use the substantial commissions still owed to all three of us as leverage to force our continued participation in the smuggling operation. After the summer of 1984, we participated in the first of a series of meetings with Bilbeisi in an attempt to disengage our financial interests so as to withdraw from the smuggling scheme. At that meeting, we demanded our overdue commissions and Bilbeisi demanded that we assume his bank debt with respect to the equipment partnerships.

26. The negotiations culminated in a final settlement meeting on December 3, 1984 with Bilbeisi, his attorney Jay Green, our attorney Glen Goldberg and Nadim Hassan of BCCI. Bilbeisi insisted that we buy out his interests in the equipment partnerships in the approximate amount of \$700,000.00. Nadim Hassan structured three (3) equivalent loans to us of approximately \$234,000.00 to assume Bilbeisi's share of the equipment partnerships and explained that the bank examiners would never know the true collateral. Hassan structured the transaction to appear as if BCCI's security consisted of UCC-1 financing statements on all of the equipment.

notes and personal guarantees, when in fact it consisted of funds frozen in three (3) foreign bank accounts set up for us at BCCI-London, England, which accounts contained our proceeds from the settlement.

27. During mid-1984, Nadim Hassan set up the BCCI-London accounts for each of us in the name of three (3) foreign corporations, Labaro, S.A., Chevere, S.A. and Franjull, S.A. Bilbeisi preferred this arrangement because it permitted Bilbeisi to characterize our overdue "commission" payments as "coffee purchases" from three (3) foreign corporations sounding like Central American coffee suppliers. Our attorney advised us that this arrangement was legitimate since it would permit us to pay United States taxes on the distributions on a delayed basis; i.e., not until we repatriated the funds into the United States.

28. The December "settlement" failed to resolve approximately \$375,000.00 in "commissions" still owed to us by Bilbeisi. On several occasions during early 1985 we contacted Bilbeisi, both individually and as a group, to make repeated demands for the commissions owed us. In mid-1986, when Steve Calderon met with Bilbeisi to attempt to resolve the matter, Bilbeisi showed him a copy of a statement from my foreign bank account with BCCI, making it clear that he had information and access to any of our accounts with BCCI. As a result, Joe Villalba, Steve Calderon and I mutually agreed to let the matter drop.

29. I have reviewed the depositions of Anthony Jay Aramburo, Heylel Ordonez and Fernando Montes in which the above-described coffee smuggling scheme is attested to in detail. Insofar as the general description of the mechanics of the scheme (i.e., Bilbeisi purchasing non-quota coffee from suppliers in Central America

and paying "commissions" to various CCT personnel to ship the coffee in containers falsely labeled as empty, short-shipped or for transshipment to a non-quota country); I affirm their testimony as consistent with both my recollection of the events I experienced and my knowledge of Munther Bilbeisi's method of operation.

30. At no time did I personally sell coffee to Munther Bilbeisi or to any of his corporations or representatives. To my knowledge, neither did Steve Calderon or Joe Villalba during the years that I have known and conducted business with each of them. During the years that I participated in the smuggling of coffee with Munther Bilbeisi, to the best of my recollection, all of the coffee purchased by Munther Bilbeisi during those years was purchased FOB country of origin, directly from suppliers in Costa Rica, El Salvador, Guatemala or Honduras. With possibly one or two exceptions, at no time, to my knowledge, did Bilbeisi ever buy coffee "spot-Miami".

31. Bilbeisi's payments to me either directly or through his corporations consisted entirely of "commissions" for my handling of the coffee he purchased in Central America in the above-described manner. I am aware that most of these payments were characterized by Bilbeisi as "coffee purchases" or other labels designed to disguise their true nature, and to permit Bilbeisi to expense them as business deductions on his corporate tax returns. These "commission" payments were in excess of \$500,000.00 and none of these payments were in return for the purchase of coffee.

32. During 1983 and 1984, Munther Bilbeisi discussed various potential insurance fraud schemes with me individually or together with Joe Villalba. Bilbeisi proposed a scheme to have several containers laden with inferior quality coffee



driven off a cliff, and to file an insurance claim for the value of superior quality coffee purportedly in the containers. Bilbeisi told me he considered false insurance claims to be an easy and safe way to make a lot of money.

33. When we refused to participate in his proposed insurance frauds, Bilbeisi pointed out that insurance fraud was "easy to do" because "he got away with it" several years ago. Bilbeisi told me individually, and in the presence of Joe Villalba, that he had pallets of bricks imported from South Africa to California deliberately broken in order to file a fraudulent insurance claim. Bilbeisi stated that "Lloyd's" paid him "lots of money" after filing the claim, without much complication or inquiry.

34. Shortly after receiving the deposition subpoena, Steve Calderon, Joe Villalba and I met and decided to contact Bilbeisi to determine why we were involved in a claim concerning a 1986 coffee shipment, occurring long after we had parted ways with Bilbeisi.

35. Shortly after we were first served with the subpoenae in this case, we contacted Bilbeisi in Europe by conference call. Bilbeisi advised us that he had several insurance claims pending against Lloyd's of London, involving coffee switched in Central America by Tony Aramburo and Louis Altermar, and that Louis Altermar had also stolen personal effects from his home. Bilbeisi advised us that we had no problems, that everything was going his way, and that a settlement of the case was imminent. Munther Bilbeisi then advised us to call his attorney in Michigan, Richard Postma, who would tell us what to do. We advised Munther that we did not want to have to pay attorneys' fees for this matter, and asked him for reimbursement.

Bilbeisi agreed to reimburse us and told us to call him back with the amounts of the legal fees.

36. During the next several months, there were numerous telephone calls between us and Munther Bilbeisi in which Bilbeisi continued to insist that Aramburo was lying, that Bilbeisi would prevail in the case and that Lloyd's was going to settle the claim.

37. During the same period of time, we had numerous conversations with Bilbeisi's attorneys in Michigan, Richard Postma and David Gass. Mr. Postma told us that "Lloyd's" attorneys were making a desperate move to "get Bilbeisi indirectly" by turning witnesses over to the Internal Revenue Service for investigation. Mr. Postma and Mr. Gass repeatedly questioned us concerning our knowledge of the subject claim, and of other background facts concerning Munther Bilbeisi. We repeatedly and emphatically advised them, in no uncertain terms, that they did not want us to testify in this case, and that if we were forced to testify, our testimony would be fatal to Mr. Bilbeisi's claims. We advised them to question their client regarding his background, and to discuss other insurance claims that Bilbeisi had filed in the past.

38. After Tony Aramburo's deposition in November 1989, I received a facsimile from Munther Bilbeisi from Amman, Jordan, consisting of two (2) versions of a possible Bilbeisi response to Aramburo's testimony, and inquiring as to which version he should use. Both of the versions, which are equally false, described scenarios in which we allegedly purchased coffee in Central America and resold it to Bilbeisi "spot-Miami".

39. Immediately thereafter, we contacted Bilbeisi in Jordan to express our unwillingness to cooperate with this proposed fraud. Bilbeisi threatened us by stating that "if I get hurt, you'll get hurt", since Tony Aramburo's testimony would incriminate all of us. Bilbeisi again stated that if we corroborated his story, the result would be Aramburo's word against everyone else's.

40. On at least two (2) occasions, I had telephone conversations with Munther Bilbeisi where he stated that if we refused to testify for Lloyd's, or testified in accordance with false versions of the events that he had created, that there would be "money in the case for everyone" and that we "would not have to work for the rest of our lives".

41. After Aramburo's deposition, we were also contacted again by Bilbeisi's attorneys, Richard Postma and David Gass. Mr. Postma and Mr. Gass repeatedly questioned us as to whether or not Mr. Aramburo's testimony (i.e., describing Bilbeisi's coffee smuggling operation) was correct. We clearly and strongly stated to Mr. Postma and Mr. Gass that if we were forced to testify, that we would be required to either confirm or corroborate the majority of Mr. Aramburo's testimony.

42. On numerous occasions, Bilbeisi boasted of his longstanding continuous and ongoing activities in the sale or brokerage of military hardware and weaponry. Bilbeisi stated that he armed both sides of the El Salvadorian - Honduran war, sold British-manufactured missiles and Centurion tanks from Jordan to South Africa and sold F-76 jet fighters to Honduras. I also accompanied retired general James T. Vaught to Guatemala in an effort to interest the Guatemalan government in, among

other things, "civilian" planes from Canada which could be retrofitted for military purposes upon arrival in Guatemala.

43. I have reviewed the affidavits of Steve Calderon and Joseph Villalba in which many of the above-described events are attested to. I affirm their statements are true and correct representations of those events to the best of my knowledge.

FURTHER AFFIANT SAYETH NAUGHT.

  
JOSE ANTONIO OTANO

SWORN TO and subscribed before me this 28 day of February, 1991.

  
NOTARY PUBLIC  
State of Florida at Large

My Commission Expires:

NOTARY PUBLIC STATE OF FLORIDA  
COMMISSION EXPIRES 12/31/1991  
NOTARY PUBLIC STATE OF FLORIDA

(2) the term "forged" means a document that purports to be genuine but is not because it has been falsely altered, completed, signed, or endorsed, or contains a false addition thereto or insertion therein, or is a combination of parts of two or more genuine documents;

(3) the term "security" means—

(A) a note, stock certificate, treasury stock certificate, bond, treasury bond, debenture, certificate of deposit, interest coupon, bill, check, draft, warrant, debit instrument as defined in section 916(c) of the Electronic Fund Transfer Act, money order, traveler's check, letter of credit, warehouse receipt, negotiable bill of lading, evidence of indebtedness, certificate of interest in or participation in any profit-sharing agreement, collateral-trust certificate, pre-reorganization certificate of subscription, transferable share, investment contract, voting trust certificate, or certificate of interest in tangible or intangible property;

(B) an instrument evidencing ownership of goods, wares, or merchandise;

(C) any other written instrument commonly known as a security;

(D) a certificate of interest in, certificate of participation in, certificate for, receipt for, or warrant or option or other right to subscribe to or purchase, any of the foregoing; or

(E) a blank form of any of the foregoing;

(4) the term "organization" means a legal entity, other than a government, established or organized for any purpose, and includes a corporation, company, association, firm, partnership, joint stock company, foundation, institution, society, union, or any other association or persons which operates in or the activities of which affect interstate or foreign commerce; and

(5) the term "State" includes a State of the United States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, and any other territory or possession of the United States.

(Added Pub.L. 96-473, Title II, § 1106(a), Oct. 12, 1984, 98 Stat. 2144, § 511, redesignated § 513, Pub.L. 99-646, § 31(a), Nov. 10, 1986, 100 Stat. 3596 and amended Pub.L. 101-647, Title XXX, § 3515, Nov. 29, 1990, 104 Stat. 4923.)

## CHAPTER 27—CUSTOMS

See.

- 541. Entry of goods falsely classified.
- 542. Entry of goods by means of false statements.
- 543. Entry of goods for less than legal duty.
- 544. Relanding of goods.
- 545. Smuggling goods into the United States.
- 546. Smuggling goods into foreign countries.
- 547. Depositing goods in buildings on boundaries.

See.

- 548. Removing or repacking goods in warehouses.
- 549. Removing goods from customs custody; breaking seals.
- 550. False claim for refund of duties.
- 551. Concealing or destroying invoices or other papers.
- 552. Officers aiding importation of obscene or treasonous books and articles.
- 553. Importation or exportation of stolen motor vehicles, off-highway mobile equipment, vessels, or aircraft.

## EDITORIAL NOTES

Savings Provisions of Pub.L. 96-473, Title II, c. II. See section 235 of Pub.L. 96-473, Title II, c. II, Oct. 12, 1984, 98 Stat. 2031, as amended, set out as a note under section 3551 of this title.

### § 541. Entry of goods falsely classified

Whoever knowingly effects any entry of goods, wares, or merchandise, at less than the true weight or measure thereof, or upon a false classification as to quality or value, or by the payment of less than the amount of duty legally due, shall be fined not more than \$5,000 or imprisoned not more than two years, or both.

## REVISION NOTES

Based on title 18, U.S.C., 1940 ed., § 126 (Mar. 4, 1909, ch. 321, § 69, 35 Stat. 1101).

Reference to persons aiding, contained in words "or aid in effecting," was omitted as unnecessary as such persons are made principals by section 2 of this title.

Changes were made in phraseology.

### § 542. Entry of goods by means of false statements

Whoever enters or introduces, or attempts to enter or introduce, into the commerce of the United States any imported merchandise by means of any fraudulent or false invoice, declaration, affidavit, letter, paper, or by means of any false statement, written or verbal, or by means of any false or fraudulent practice or appliance, or makes any false statement in any declaration without reasonable cause to believe the truth of such statement, or procures the making of any such false statement as to any matter material thereto without reasonable cause to believe the truth of such statement, whether or not the United States shall or may be deprived of any lawful duties; or

Whoever is guilty of any willful act or omission whereby the United States shall or may be deprived of any lawful duties accruing upon merchandise embraced or referred to in such invoice, declaration, affidavit, letter, paper, or statement, or affected by such act or omission—

Complete Annotation Metadata, see Title 18 U.S.C.A.

Shall be fined for each offense not more than \$5,000 or imprisoned not more than two years, or both.

Nothing in this section shall be construed to relieve imported merchandise from forfeiture under other provisions of law.

The term "commerce of the United States", as used in this section, shall not include commerce with the Philippine Islands, Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, Johnston Island, or Guam.  
(As amended June 30, 1955, c. 258, § 2(c), 69 Stat. 242.)

#### REVISION NOTES

Based on section 1591 of title 19, U.S.C., 1940 ed., Customs Duties (June 17, 1930, ch. 497, title IV, § 591, 46 Stat. 750; Aug. 5, 1935, ch. 438, title III, § 384(a), 49 Stat. 527).

The reference in the first paragraph to persons aiding, contained in the phrase "or aids," was omitted as unnecessary as such persons are made principals by section 2 of this title.

Words "upon conviction" before "be fined" were omitted as surplusage since punishment cannot be imposed until conviction is secured.

Enumeration of persons at beginning of section and provision preserving forfeitures where authorized by law were omitted as surplusage.

The fourth paragraph was added to the revised section to make clear the intent of Congress that forfeiture is an additional consequence independent of the criminal punishment.

The final paragraph was added to conform with section 1709 of title 19, U.S.C., 1940 ed.

Changes in phraseology were also made.

#### § 543. Entry of goods for less than legal duty

Whoever, being an officer of the revenue, knowingly admits to entry, any goods, wares, or merchandise, upon payment of less than the amount of duty legally due, shall be fined not more than \$5,000 or imprisoned not more than two years, or both; and removed from office.

#### REVISION NOTES

Based on title 18, U.S.C., 1940 ed., § 125 (Mar. 4, 1909, ch. 321, § 68, 35 Stat. 1101).

Reference to persons aiding, contained in words "or aid in admitting," was omitted as unnecessary as such persons are made principals by section 2 of this title.

Changes were made in phraseology.

#### § 544. Relanding of goods

If any merchandise entered or withdrawn for exportation without payment of the duties thereon, or with intent to obtain a drawback of the duties paid, or of any other allowances given by law on the exportation thereof, is relanded at any place in

the United States without entry having been made, such merchandise shall be considered as having been imported into the United States contrary to law, and each person concerned shall be fined not more than \$5,000 or imprisoned not more than two years, or both; and such merchandise shall be forfeited.

The term "any place in the United States", as used in this section, shall not include the Philippine Islands, Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, Johnston Island, or Guam.

(As amended June 30, 1955, c. 258, § 2(c), 69 Stat. 242.)

#### HISTORICAL AND REVISION NOTES

Based on section 1589 of title 19, U.S.C., 1940 ed., Customs Duties (June 17, 1930, ch. 497, title IV, § 589, 46 Stat. 750).

The final paragraph was added to conform with section 1709 of title 19, U.S.C., 1940 ed.

Minor changes were made in phraseology.

#### § 545. Smuggling goods into the United States

Whoever knowingly and willfully, with intent to defraud the United States, smuggles, or clandestinely introduces into the United States any merchandise which should have been invoiced, or makes out or passes, or attempts to pass, through the customhouse any false, forged, or fraudulent invoice, or other document or paper; or

Whoever fraudulently or knowingly imports or brings into the United States, any merchandise contrary to law, or receives, conceals, buys, sells, or in any manner facilitates the transportation, concealment, or sale of such merchandise after importation, knowing the same to have been imported or brought into the United States contrary to law—

Shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

Proof of defendant's possession of such goods, unless explained to the satisfaction of the jury, shall be deemed evidence sufficient to authorize conviction for violation of this section.

Merchandise introduced into the United States in violation of this section, or the value thereof, to be recovered from any person described in the first or second paragraph of this section, shall be forfeited to the United States.

The term "United States", as used in this section, shall not include the Philippine Islands, Virgin Islands, American Samoa, Wake Island, Midway Islands, Kingman Reef, Johnston Island, or Guam.  
(As amended Aug. 24, 1954, c. 390, § 1, 68 Stat. 782; Sept. 1, 1954, c. 1213, Title V, § 507, 68 Stat. 1141; June 30, 1955, c. 258, § 2(c), 69 Stat. 242.)

## REVISION NOTES

Based on section 1593 of title 19, U.S.C., 1940 ed., Customs Duties (June 17, 1930, ch. 497, title IV, § 593, 46 Stat. 751).

Reference in first paragraph to aiders, contained in words "his, her, or their aiders and abettors" was omitted as unnecessary since such persons are made principals by section 2 of this title. For the same reason words "or assists in so doing" in second paragraph were deleted.

Words "shall be deemed guilty of a misdemeanor," in first paragraph were omitted in view of definition of misdemeanor in section 1 of this title.

Conviction provision in first paragraph reading "and on conviction thereof" was deleted as surplusage since punishment cannot be imposed until a conviction is secured.

Minimum punishment provision "nor less than \$50" in second paragraph was deleted.

Forfeiture provision was rephrased to make it clear that forfeiture was not dependent upon conviction.

The final paragraph was added to conform with section 1709 of title 19, U.S.C., 1940 ed.

Changes were made in phraseology.

## § 546. Smuggling goods into foreign countries

Any person owning in whole or in part any vessel of the United States who employs, or participates in, or allows the employment of, such vessel for the purpose of smuggling, or attempting to smuggle, or assisting in smuggling, any merchandise into the territory of any foreign government in violation of the laws there in force, if under the laws of such foreign government any penalty or forfeiture is provided for violation of the laws of the United States respecting the customs revenue, and any citizen of, or person domiciled in, or any corporation incorporated in, the United States, controlling or substantially participating in the control of any such vessel, directly or indirectly, whether through ownership of corporate shares or otherwise, and allowing the employment of said vessel for any such purpose, and any person found, or discovered to have been, on board of any such vessel so employed and participating or assisting in any such purpose, shall be fined not more than \$5,000 or imprisoned not more than two years, or both.

It shall constitute an offense under this section to hire out or charter a vessel if the lessor or charterer has knowledge or reasonable grounds for belief that the lessee or person chartering the vessel intends to employ such vessel for any of the purposes described in this section and if such vessel is, during the time such lease or charter is in effect, employed for any such purpose.

## REVISION NOTES

Based on section 1702 of title 19, U.S.C., 1940 ed., Customs Duties (Aug. 5, 1935, ch. 493, title I, § 2, 49 Stat. 519).

Changes were made in phraseology.

## § 547. Depositing goods in buildings on boundaries

Whoever receives or deposits any merchandise in any building upon the boundary line between the United States and any foreign country, or carries any merchandise through the same, in violation of law, shall be fined not more than \$5,000 or imprisoned not more than two years, or both.

## REVISION NOTES

Based on section 1596 of title 19, U.S.C., 1940 ed., Customs Duties (June 17, 1930, ch. 497, title IV, § 596, 46 Stat. 752).

Reference to persons aiding, contained in words "or aids therein," was omitted as such persons are made principals by section 2 of this title.

Changes were made in phraseology.

## § 548. Removing or repacking goods in warehouses

Whoever fraudulently conceals, removes, or repacks merchandise in any bonded warehouse or fraudulently alters, defaces or obliterates any marks or numbers placed upon packages deposited in such warehouse, shall be fined not more than \$5,000 or imprisoned not more than two years, or both.

Merchandise so concealed, removed, or repacked, or packages upon which any marks or numbers have been so altered, defaced, or obliterated, shall be forfeited to the United States.

## REVISION NOTES

Based on section 1597 of title 19, U.S.C., 1940 ed., Customs Duties (June 17, 1930, ch. 497, title IV, § 597, 46 Stat. 752).

This section was rewritten to place the criminal provisions ahead of the forfeiture provisions. This did not require any substantive changes except omission of reference to persons aiding. Such persons are made principals by section 2 of this title.

The punishment prescribed by section 545 of this title was inserted to make this section complete without reference to another section. In doing so it was necessary to rephrase the punishment provision of section 545 of this title, as originally enacted, without change of substance.

Forfeiture provision was rephrased to make it clear that forfeiture was not dependent upon conviction.

Changes were made in phraseology.

## § 549. Removing goods from customs custody; breaking seals

Whoever, without authority, affixes or attaches a customs seal, fastening, or mark, or any seal, fastening, or mark purporting to be a customs seal,

fastening, or mark to any vessel, vehicle, warehouse, or package; or

Whoever, without authority, willfully removes, breaks, injures, or defaces any customs seal or other fastening or mark placed upon any vessel, vehicle, warehouse, or package containing merchandise or baggage in bond or in customs custody; or

Whoever maliciously enters any bonded warehouse or any vessel or vehicle laden with or containing bonded merchandise with intent unlawfully to remove therefrom any merchandise or baggage therein, or unlawfully removes any merchandise or baggage in such vessel, vehicle, or bonded warehouse or otherwise in customs custody or control; or

Whoever receives or transports any merchandise or baggage unlawfully removed from any such vessel, vehicle, or warehouse, knowing the same to have been unlawfully removed—

Shall be fined not more than \$5,000 or imprisoned not more than two years, or both.

#### REVISION NOTES

Based on section 1598 of title 19, U.S.C., 1940 ed., Customs Duties (June 17, 1930, ch. 497, title IV, § 598, 46 Stat. 752; June 25, 1933, ch. 679, § 26, 52 Stat. 1089).

Reference to persons causing, procuring, aiding or assisting was omitted as unnecessary in view of definition of "principal" in section 2 of this title.

In view of definition of felony in section 1 of this title words "guilty of a felony" were omitted. (See reviser's note under section 550 of this title.)

The punishment prescribed by section 545 of this title was inserted to make this section complete without reference to another section. In doing so it was necessary to rephrase the punishment provision of section 545 of this title, as originally enacted, without change of substance.

Forfeiture provision was omitted to conform with current administrative practice.

Changes were made in phraseology.

#### § 550. False claim for refund of duties

Whoever knowingly and willfully files any false or fraudulent entry or claim for the payment of drawback, allowance, or refund of duties upon the exportation of merchandise, or knowingly or willfully makes or files any false affidavit, abstract, record, certificate, or other document, with a view to securing the payment to himself or others of any drawback, allowance, or refund of duties, on the exportation of merchandise, greater than that legally due thereon, shall be fined not more than \$5,000 or imprisoned not more than two years, or both, and such merchandise or the value thereof shall be forfeited.

#### REVISION NOTES

Based on section 1590 of title 19, U.S.C., 1940 ed., Customs Duties (June 17, 1930, ch. 497, title IV, § 590, 46 Stat. 750).

Reference to felony, contained in words "such person shall be guilty of a felony" was omitted as unnecessary in view of definition of felony in section 1 of this title. This, too, was the policy adopted by the codifiers of the 1909 Criminal Code. (See S.Rept.10, pt. 1, pp. 12, 13, and 14, 60th Cong., 1st sess.)

Words "and upon conviction thereof" before "shall be punished" were also omitted as unnecessary, since punishment cannot be imposed until a conviction is secured.

Changes were made in phraseology.

#### § 551. Concealing or destroying invoices or other papers

Whoever willfully conceals or destroys any invoice, book, or paper relating to any merchandise imported into the United States, after an inspection thereof has been demanded by the collector of any collection district; or

Whoever conceals or destroys at any time any such invoice, book, or paper for the purpose of suppressing any evidence of fraud therein contained—

Shall be fined not more than \$5,000 or imprisoned not more than two years, or both.

#### REVISION NOTES

Based on title 18, U.S.C., 1940 ed., § 120 (Mar. 4, 1909, ch. 321, § 64, 35 Stat. 1100).

Minor changes were made in phraseology.

#### EDITORIAL NOTES

Transfer of Functions. All offices of collector of customs, comptroller of customs, surveyor of customs, and appraiser of merchandise in the Bureau of Customs of the Department of the Treasury to which appointments were required to be made by the President with the advice and consent of the Senate were ordered abolished, to be terminated not later than Dec. 31, 1966. All functions of the offices so eliminated were already vested in the Secretary of the Treasury.

#### § 552. Officers aiding importation of obscene or treasonous books and articles

Whoever, being an officer, agent, or employee of the United States, knowingly aids or abets any person engaged in any violation of any of the provisions of law prohibiting importing, advertising, dealing in, exhibiting, or sending or receiving by mail obscene or indecent publications or representations, or books, pamphlets, papers, writings, advertisements, circulars, prints, pictures, or drawings containing any matter advocating or urging treason or insurrection against the United States or forcible resistance to any law of the United States,



## 18 § 552

## CRIMES

## Part 1

or containing any threat to take the life of or inflict bodily harm upon any person in the United States, or means for procuring abortion, or other articles of indecent or immoral use or tendency, shall be fined not more than \$5,000 or imprisoned not more than ten years, or both.

(As amended Jan. 3, 1971, Pub.L. 91-662, § 2, 84 Stat. 1973.)

## REVISION NOTES

Based on section 1305(b) of title 19, U.S.C., 1940 ed., Customs Duties (June 17, 1930, ch. 497, title III, § 305(b), 46 Stat. 683).

In view of definition of misdemeanor in section 1 of this title words "shall be deemed guilty of a misdemeanor, and" were omitted.

Words "at hard labor" after "imprisonment" were omitted. (See reviser's note under section 1 of this title.)

Changes were made in phraseology.

### § 553. Importation or exportation of stolen motor vehicles, off-highway mobile equipment, vessels, or aircraft

(a) Whoever knowingly imports, exports, or attempts to import or export—

(1) any motor vehicle, off-highway mobile equipment, vessel, aircraft, or part of any motor vehicle, off-highway mobile equipment, vessel, or aircraft, knowing the same to have been stolen; or

(2) any motor vehicle or off-highway mobile equipment or part of any motor vehicle or off-highway mobile equipment, knowing that the identification number of such motor vehicle, equipment, or part has been removed, obliterated, tampered with, or altered;

shall be fined not more than \$15,000 or imprisoned not more than five years, or both.

(b) Subsection (a)(2) shall not apply if the removal, obliteration, tampering, or alteration—

(1) is caused by collision or fire; or

(2)(A) in the case of a motor vehicle, is not a violation of section 511 of this title (relating to altering or removing motor vehicle identification numbers); or

(B) in the case of off-highway mobile equipment, would not be a violation of section 511 of this title if such equipment were a motor vehicle.

(c) As used in this section, the term—

(1) "motor vehicle" has the meaning given that term in section 2 of the Motor Vehicle Information and Cost Savings Act;

(2) "off-highway mobile equipment" means any self-propelled agricultural equipment, and self-pro-

pelled special use equipment, used or designed for running on land but not on rail or highway;

(3) "vessel" has the meaning given that term in section 401 of the Tariff Act of 1930 (19 U.S.C. 1401);

(4) "aircraft" has the meaning given that term in section 101 of the Federal Aviation Act of 1958 (49 U.S.C.App. 1301); and

(5) "identification number"—

(A) in the case of a motor vehicle, has the meaning given that term in section 511 of this title; and

(B) in the case of any other vehicle or equipment covered by this section, means a number or symbol assigned to the vehicle or equipment, or part thereof, by the manufacturer primarily for the purpose of identifying such vehicle, equipment, or part.

(Added Pub.L. 95-547, Title III, § 301(a), Oct. 25, 1978, 92 Stat. 2771, and amended Pub.L. 100-690, Title VII, § 7021, Nov. 18, 1988, 102 Stat. 4394.)

## EDITORIAL NOTES

References in Text. Section 2 of the Motor Vehicle Information and Cost Savings Act, referred to in subsec. (c)(1), is section 2 of Pub.L. 92-512, Oct. 20, 1972, 86 Stat. 947, which is classified to section 1901 of Title 15, Commerce and Trade.

## CHAPTER 29—ELECTIONS AND POLITICAL ACTIVITIES

- Sec.  
[591. Repealed.]  
592. Troops at polls.  
593. Interference by armed forces.  
594. Intimidation of voters.  
595. Interference by administrative employees of Federal, State, or Territorial Governments.  
596. Polling armed forces.  
597. Expenditures to influence voting.  
598. Coercion by means of relief appropriations.  
599. Promise of appointment by candidate.  
600. Promise of employment or other benefit for political activity.  
601. Deprivation of employment or other benefit for political contribution.  
602. Solicitation of political contributions.  
603. Making political contributions.  
604. Solicitation from persons on relief.  
605. Disclosure of names of persons on relief.  
606. Intimidation to secure political contributions.  
607. Place of solicitation.  
608. Absent uniformed services voters and overseas voters.  
609. Use of military authority to influence vote of member of Armed Forces.  
[610 to 617. Repealed.]

Complete Annotation Materials, see Title 18 U.S.C.A.

Senator BROWN. Just to help me put a cap on this, what you have just quoted to us makes it appear that BCCI not only participated in the conspiracy to violate the U.S. Arms Export Control Act, but even participated in arranging for criminal payoffs.

Mr. DOUGHERTY. That's true. And there's one more—

Senator BROWN. This is, indeed, a full-service bank. [Laughter.]

Mr. DOUGHERTY. The third aspect of this was that the bank knew, because of the subpoenas that were served on the bank, and the requests made by Mr. Bilbeisi to produce records, that there was an investigation into the coffee smuggling in 1987. There was an investigation to determine whether or not there was an insured loss in Guatemala that was going on in October of—that was all ongoing in 1987, Senator.

And in 1988, Lloyd's was—

Senator BROWN. Excuse me, the investigation was being done by whom?

Mr. DOUGHERTY. Representatives of Lloyd's. So in 1988, we're in litigation in the southern district of Florida, in the Federal court. And Lloyd's has issued subpoenas against the bank to produce records. These records were not produced, that refer to on their face, the cashier's checks that weren't produced.

What I am saying, Senator Brown, is there was a financial motive for the bank, after the insurance claims were filed, to join with its customer, Bilbeisi, to block the investigation in Guatemala by participating and funneling the money, corruptly, to these individuals in Guatemala to secure a favor, to prevent an adequate investigation, so that not only would the coffee claim of the 1986 shipment not be uncovered, but all of the previous illegal shipments.

Senator BROWN. So the bank participated in violation of the Arms Control Act, the bank participated, apparently, in planning and delivering bribery payments. And they also participated in covering it up?

Mr. DOUGHERTY. That's what I believe occurred. And they had participated between 1983-86 in the ongoing coffee smuggling, be it in Honduras, Guatemala, or Panama. So it was of great financial interest for the bank once Mr. Bilbeisi filed the insurance claim, that all of the of the illegal shipments from 1983, 1986, and 1987 not be uncovered. And one way to do it—why would Mr. Bilbeisi pick, of all of the countries that he had previously sold weapons to—South Africa, El Salvador, Honduras—why would he pick Guatemala to sell quote "civilian helicopters" to in 1987, after the coffee claim had been filed?

And the most direct, substantive answer to that is to obstruct justice, corrupt public officials, and block and impede with the Minister of Defense of that country, with the President of Guatemala's brother, and uncovering that that claim was false, which would have led to the uncovering—which we have found—of all of the coffee smuggling.

Senator BROWN. Well, let us go back to the coffee.

Senator KERRY. Before we do, let me followup on something.

Mr. VALLS. Senator, may I explain one thing? If it wasn't for BCCI involvement in the helicopter deal, there would never have been any helicopter deal in Guatemala. And the reason was that

they needed the financing. And who supplied that financing? It was Ex-Im Bank. And how did they do it? Through using a third bank in the middle, by obtaining the financing.

And if it would have been an Ex-Im Bank Capital deal, with Capital Bank, which is the way this letter of credit first started, without the end-user certificates, nothing would have gone down to Guatemala. BCCI got involved in order to avoid the end-user certificates in this deal.

Senator KERRY. This is a point where I want to just put into the record—if there is no objection—what is known as the Philip Manual Resource Group Report, which is a report of an internal investigation of Munther Bilbeisi and the Boca Raton IRS, and so forth.

This is a report, it is a private detective report that was put together and prepared for the law firm of Holland & Knight. And the report covers BCCI's role in the smuggling operations.

This is a report which, I take it, you gentlemen have not seen previously, but which this committee has gained access to. And I am going to put the full report in the record. And I just want to ask a few, quick questions about the report.

[The information referred to follows:]

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PRIVILEGE AND WORK PRODUCT DOCTRINE**

**REPORT OF INTERNAL INVESTIGATION  
(Boca Raton/IRS Investigation)  
(Munther Bilbeisi, et. al.)**

Respectfully submitted,

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November, 1990

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**I. INTRODUCTION**

This Report is submitted pursuant to an investigation conducted by the law firm of Holland & Knight and the investigative firm of Philip Manuel Resource Group. This investigation was commissioned by the Bank of Credit & Commerce International (Overseas) Limited ("BCC") in March, 1990, and was prompted by the assertion of the United States Attorney's Office, Southern District of Florida (Miami), that the Bank was the target of an ongoing Federal criminal investigation involving: (1) Munther Bilbeisi and his related companies and associates; (2) Steven Calderon, Joseph Villalba, Jose Otano and their companies; (3) Heather Wyser-Pratte; and (4) the relation of all of these individuals and entities with the Boca Raton and Miami Agencies of BCC.

It is not known when this Federal criminal investigation commenced, but it first came to BCC's attention in May, 1989, when the Federal government executed a search warrant for numerous records located at the Bank's Boca Raton Agency. This search warrant was the product of an ongoing Internal Revenue Service ("IRS") investigation of the Bank and its customers, and at that time the Bank was told by the IRS that the Bank (and specifically, its Boca Raton Agency and the three managers of that Agency) were targets of the investigation involving allegations of money laundering and

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the alleged "smuggling" of large amounts of cash into that Agency.<sup>1</sup>

In February, 1990, these general allegations were particularized to the extent that the Bank was orally informed by the United States Attorney's Office that the alleged illegality centered around a "Klein Conspiracy" involving the Bank and the account holders mentioned above.<sup>2</sup> Upon learning of this, the Bank management directed that an internal inquiry be conducted for the purpose of: (1) identifying present or former officers or employees who may have engaged in activity which could possibly expose the Bank to criminal liability in the United States; (2) preparing to discuss and refute any potential criminal accusations against the Bank; and (3) preparing a factual background for the

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<sup>1</sup>The Boca Raton Agency opened in December, 1983 and closed in August, 1989. Its managers were: Nadim Hasan; Sadiq Hamidani; and Tariq Jan. Nadim Hasan was terminated from the Bank in the Summer of 1990, for refusing to cooperate with this internal inquiry. Hamidani and Jan are currently employed with the Bank in Miami and Hong Kong, respectively.

<sup>2</sup>Generally, a "Klein Conspiracy" involves a conspiracy in violation of Section 371 of Title 18, United States Code, to impede, prevent or otherwise thwart the IRS in the performance of its lawful function, namely the collection of tax revenue. See, Section VII(B)(3).



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defense of the Bank in the event that formal criminal charges are returned.<sup>3</sup>

During this investigation, we have located 78 accounts connected to Munther Bilbeisi, his companies and his former business associates Calderon, Otano, Villalba and Gerardo Harris, in Boca Raton, Miami, Nassau, Panama and London. These accounts have been reviewed and analyzed in detail. In addition, over 50 interviews of employees and non-employees have been conducted, and over 150 files, including letter of credit files, cashier's checks and registers, and individual and business account files have been extensively reviewed and analyzed. The findings drawn from this effort are submitted in this report.

Throughout this report, references are made to numerous supporting documents. These are referenced by the term "Ex." followed by a number, and each such exhibit so referenced is contained in the attached Appendix 1. Exhibits have been placed in Appendix 1 according to number. These exhibits

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<sup>3</sup>Throughout the investigation the Bank has repeatedly offered to cooperate with the government. In this connection, efforts were made to convince the government that the Bank is a "reformed" institution which wants culpable employees removed even more than the government. In response, the government suggested that if the Bank were serious it would begin to investigate and correct internal abuses itself. This suggestion itself prompted in part the current internal inquiry.

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include other reports and memoranda generated during the inquiry, as well as specific bank documents and interviews.

Additional pertinent information is contained in Appendices to this Report numbered 2 through 5. From time to time, reference is made to these Appendices by the term "App." followed by the appropriate number.

Appendix 2 provides information concerning letters of credit relating to Munther Bilbeisi and his companies, Coffee, Inc. and Orion Systems (Panama), S.A. The first part of this Appendix lists specific cumulative data for all of these letters of credit. The second part of this Appendix examines these transactions by each individual letter of credit according to various categories such as: letter of credit number; opening date; closing date; beneficiary; identity of merchandise and destination; opening fees; face amount; Bank payments; and so on. Reference to these portions of Appendix 2 provides pertinent letter of credit information "at a glance."

Appendix 3 provides an account summary identifying specific accounts relevant to this Report. Our investigation has identified seventy-eight separate Bilbeisi-related bank accounts. These accounts were active at various times at separate BCC branches in Miami, Boca Raton, Nassau, Panama

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and London between 1982 and 1988. A "Bilbeisi-related account" is one which is: (1) in the name of Munther Bilbeisi; (2) in the name of a company owned or controlled by Bilbeisi (e.g., Orion Systems (Panama), S.A., Coffee, Inc., Mura International, Containers International, Inc., Consolidated Trailers, Inc., and International Chassis, Inc.); (3) in the name of a Munther Bilbeisi associate (e.g., Steven Calderon, Joseph Villalba, Jose Otano, Gerardo Harris); or (4) in the name of a company owned or controlled by a Bilbeisi associate (e.g., Labaro, S.A., Franjuli, S.A., Chevere, S.A., Consolidated Brokers International, International Equipment, Ltd., Consolidated Trailers, Ltd., International Chassis, Ltd.).

Appendix 4 provides a flavor for the quantity of account activity of forty of the most significant demand, deposit and loan accounts included in Appendix 3. For these accounts, Appendix 4 summarizes account activity for each year the account was active in terms of total deposits, total withdrawals and balance at year-end.

Appendix 5 provides a day-by-day chronology of events relating to this Report between 1982 and 1989. The chronology includes pertinent transactions from the Bilbeisi-related accounts listed in Appendix 2. These transactions

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are identified by account number, preceded by the first letter of the location of the BCC office involved. For example, "M01000662" indicates a Miami account; "N03000542" a Nassau account; "B01000520" a Boca Raton account; and so forth. An examination of Appendices 2 through 4 prior to a review of the chronology in Appendix 5 will greatly assist in understanding the significance of the events reported in the chronology.

Finally, it should be made clear that although this report contains our conclusions and analyses, it may need to be supplemented in the future. A number of key witnesses have refused thus far to speak with us, largely because they themselves are either under government investigation or have agreed to cooperate with the government. Our attempts to meet with these individuals will continue, and depending upon our success and their statements, the conclusions and analyses contained herein may have to be supplemented or changed.

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**II. SUMMARY**

Our investigation indicates that the Latin American Regional Office, the Miami Agency and the Boca Raton Agency essentially constituted a "bank within a bank," frequently engaging in transactions without the approval and without even the knowledge of BCC's London management. Effective supervision by BCC management in London was repeatedly thwarted by the frequent failure and refusal of the Latin American Regional Office to report its activities, and when it did report, by its failure to do so accurately.

This "bank within a bank" was controlled and operated by Latin American Regional Office manager A. R. Sakhia. He served as the highest ranking BCC officer in Miami from the opening of the Miami Agency and the Regional Office in May, 1982 until February, 1987 when he was transferred to New York. Sakhia maintained strict control over not only the Regional Office, but the Miami and Boca Raton Agencies as well. No Agency or Regional Office employee or officer, up to and including the various managers of the Miami Agency, dared to question his directives and decisions. These directives and decisions involved every aspect of every transaction involving any significant customer whom Sakhia

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decided to "accommodate," including in particular Munther Bilbeisi and his partners, Steven Calderon, Jose Otano and Joseph Villalba.

Sakhia exercised his control through employees such as M. U. Rehman in the Regional Office, Nadim Hasan at the Boca Raton Agency and Hamid Khan in the Miami Agency Letter of Credit Department. It was through these and other employees that Sakhia's orders were issued or his instructions carried out. The direct communication between these employees and Sakhia enabled him to totally ignore the normal chain of command within the Bank and to engage in transactions which were contrary to established London management policies.

The methods of operation engaged in by Sakhia and his assistants are eloquently demonstrated by the relationship with Bilbeisi and his partners. Their activities with the Bilbeisi group were so well-concealed from the Bank's management in London and so violative of the Bank's procedures and policies as to make it unfair to characterize the situation as a relationship between Bilbeisi and BCC itself. While the official relationship may technically have been with BCC, as a practical matter Bilbeisi, Calderon, Otano and Villalba were dealing with the "bank within a bank" run by Sakhia.

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Between 1982 and 1986 Munther Bilbeisi and his partners, Calderon, Otano and Villalba operated a smuggling operation. This fact has been established by the sworn admissions of two of that operation's members, Louis Altemar and Jay Anthony Aramburo. The operation was run through two companies owned by Bilbeisi: Coffee, Inc. and Orion Systems (Panama), S.A. Through these corporations Bilbeisi and his partners smuggled coffee from Central America into the United States between 1982 and 1986. This was done to avoid export restrictions, fees and taxes in Central America and to avoid U. S. coffee import quotas and sanitation inspections in the U. S. It is by no means certain that coffee was the only commodity smuggled into the U. S. by these individuals. While we have found no direct evidence of drug trafficking, the smuggling operation could easily have accommodated itself to this, and the amounts of money flowing through and between Bilbeisi, Calderon, Otano, Villalba and their corporate accounts, plus their connections to Manuel Noriega, lend a degree of circumstantial support to this possibility.

As with any smuggling operation, the operatives had several essential needs: they required a secure, safe system of financing their transactions; they needed appropriate extensions of credit in the form of loans and overdrafts

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without too much formality; and they required a flexible system of payments to their foreign associates in Central America, whether by wire transfer or cashier's check or both. Moreover, their import and shipping documents were necessarily incomplete or defective, and so the smugglers needed unquestioning acceptance of these items in order to insure prompt, safe payment to their associates in Central America. The BCC Miami and Boca Raton Agencies (or, more accurately, Sakhia's "bank within a bank") accommodated these needs.

First, in December, 1983, the Boca Raton Agency (directly through Nadim Hasan and A. R. Sakhia) issued three loans to three other recently formed Bilbeisi companies in the total amount of US\$2.5 million. This loan was made without security, the proceeds were disbursed without the knowledge or approval of the Central Credit Committee in London, and the amount was beyond the authorized loan limits of both Hasan and Sakhia. Moreover, although the stated purpose for the loan was for corporate "working capital," the proceeds were surreptitiously transferred to two Bilbeisi personal accounts in the Panama Agency (which held US\$1.5 million of the loan proceeds) and the Nassau Agency (which held US\$1 million of the loan proceeds), thereby opening the



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door to corporate money laundering and tax evasion for each of the Bilbeisi companies involved as well as for Bilbeisi himself. The Nassau Agency was, at the time, located in Miami and thus directly under Sakhia's supervision. The Panama Agency at the time was managed by Amjad Awan, whom the U. S. government has characterized as Manuel Noriega's "personal banker."

These funds - particularly the US\$1.5 million placed in the Panama Agency - may have acted as some form of security or collateral for other activities involving Gerardo Harris, an associate and a confidante of Manuel Noriega. The loan proceeds were placed in Bilbeisi's accounts in Panama and Nassau in December, 1983. Shortly thereafter, Bilbeisi applied for four letters of credit with a face value of over US\$6 million. Of this, over US\$4 million was paid, directly or indirectly, to various persons and companies identified by the U. S. government as being closely connected with or controlled by Manuel Noriega. During the same period, Bilbeisi directly paid over US\$800,000 to Gerardo Harris. Almost immediately after all these payments were made, the US\$1.5 million in Boca Raton loan proceeds were transferred back to the Boca Raton Agency, where they were held in another Bilbeisi personal account until August 1, 1984, when

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the money was used to repay the original "working capital" loan.

The timing of the payments in comparison to the movement of the loan proceeds gives rise to the distinct possibility that Bilbeisi was required by Harris or even Noriega to put up "front money" as security for some sort of business transaction, and that the Bank. That the loan proceeds were never used at all, and only sat in a Panama Agency personal account during the same time Bilbeisi was paying millions to Noriega-related businesses and persons only lends credibility to this possibility.

Second, the Miami Agency consistently extended the credit essential to the financing of the Bilbeisi smuggling operation. In fact, on a number of occasions when Bilbeisi's assets were completely encumbered by existing debt, Khan-with Sakhia's approval - gave Bilbeisi credit for hundreds of thousands of dollars worth of post-dated checks. These and other extensions of credit were over and above Bilbeisi's collateral and usually beyond any credit facility approved by the Central Credit Committee in London.

The first credit facility submitted to and approved by the Central Credit Committee in London contained misleading information which concealed the true nature of Bilbeisi's

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business and prevented any effective London management supervision of the transactions with Bilbeisi and his associates throughout 1984. In particular, the Regional Office concealed the fact that Bilbeisi was even in the coffee business, stating instead that he was involved in real estate and the import of Persian carpets. At the same time the Miami Agency had just been defrauded of US\$5 million by Alberto Duque and his General Coffee company in connection with fraudulent coffee imports. London was aware of this loss, and by hiding Bilbeisi's actual business from London the Regional Office effectively avoided unwanted attention and supervision over a series of business transactions which London would have immediately recognized as very risky. Later internal audits disclosed Bilbeisi's real business, to London's alarm and surprise. Attempts were made in February, 1985 by London, and in particular by then Internal Audit Chief Saleem Siddiqi, to more closely supervise these transactions. These efforts were thwarted by subsequent credit line proposals which, while more or less accurately describing the nature of Bilbeisi's coffee business (but, of course, never characterizing it as a smuggling operation), consistently overstated the security for the credit facility requested and understated Bilbeisi's existing indebtedness to

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the Bank. It is to the credit of the Bank's Internal Audit Chief, Saleem Siddiqi, that he was able to discover at least part of the truth about the activities in Miami and that when he did, he took immediate action. It was only through the continuing manipulations of A. R. Sakhia and his assistants that Mr. Siddiqi was thwarted in these attempts.

Third, the Miami Agency issued twenty-seven letters of credit for Bilbeisi's coffee purchases between 1982 and 1986. Although the face amount of these letters of credit was over US\$79 million, only about US\$8.5 million was ever disbursed. Seventeen letters of credit issued for Bilbeisi's companies were uniformly cancelled without any disbursements at all. Subsequently, Bilbeisi used cashier's checks to pay for his operation, and the Boca Raton and Miami Agencies obligingly issued dozens of cashier's checks at a time for Bilbeisi, all of them payable to the same persons and in the same amounts. For example, in March, 1986, the Miami Agency issued thirty-one cashier's checks at Bilbeisi's instructions, each payable to Louis Altemar, thirty of them in the amount of \$25,000 each. Although all of these were ostensibly for coffee purchases, some of them found their way back into Bilbeisi's own corporate accounts, thereby opening the door to

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allegations of Bank complicity in money laundering and income tax evasion by Bilbeisi and his companies.

It appears that Bilbeisi was using letters of credit issued by the Miami Agency not so much to pay for coffee as to provide himself and his agents with a legitimate presence in Central American countries, where coffee buyers were required to have proof of financing for purposes of exchange control. In any case, neither Hamid Khan nor any of his superiors questioned Bilbeisi about why he opened seventeen letters of credit, at a cost to himself of over US\$40,000, and then cancelled them.

Fourth, on those letters of credit involving actual disbursements by the Bank the essential documents necessary for payment were consistently and seriously defective. Essential documents were almost invariably missing, incomplete or contradictory, yet in every instance these discrepancies were "waived" by Bilbeisi and payment was unquestioningly made by the Miami Agency. Had any questions been asked, the answers might arguably have warned the Bank about Bilbeisi's smuggling activities and the perception of the Bank's involvement in them. Apparently no such questions were ever asked. More importantly, Bilbeisi's "waivers" of document discrepancies was often based on the fact that the

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coffee was already in Bilbeisi's possession. Since the merchandise could not legally clear U. S. Customs without the presence of these documents or a shipping guarantee, Bilbeisi's possession of the coffee prior to their presentation to and approval by the Bank could also arguably have put the Bank on notice that Bilbeisi was engaged in illegal smuggling activities. At the very least, this, too, ought to have raised questions, but apparently none were ever asked.

Hamid Khan was generally able to ignore the various U. S. Customs requirements relating to quotas and sanitary inspections because, according to every letter of credit, the ultimate port of destination was either Aqaba, Jordan or Latakia, Syria. Miami was only a transshipment point, and thus Khan would be able to argue that U. S. Customs regulations were inapplicable. In the two isolated instances when a letter of credit was amended to actually show Miami as the port of destination, Khan was at great pains to establish that the Bank was not responsible for monitoring quota restrictions or sanitary inspection requirements. In the process, however, he demonstrated his clear knowledge of these requirements. In any case, the Bank's own documents reveal that, regardless of the destination stated on the letters of credit, the coffee was actually being sold in the

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U. S. to U. S. coffee companies. Neither Khan nor any other employee ever asked Bilbeisi about this. Again, had such questions been asked, the entire scheme may have come to light and the Bank might have severed its relationship with Bilbeisi.

Other "accommodations" made to Bilbeisi were the surreptitious transfer of funds for the express purpose of hiding them. This was done in September, 1984 by transfers from the Miami Agency to the Nassau Agency of funds in excess of US\$1.5 million. At the time, the Nassau Agency was physically located in the Miami office, and the transfers were in fact from one desk in the Miami office to another. These transfers were made for the purpose of hiding Bilbeisi's corporate assets from his estranged wife. In addition, both the Boca Raton and Miami Agencies made cash available to Bilbeisi from his various corporate accounts in what could also be characterized as a surreptitious manner. In some instances the required forms reporting cash transactions over US\$10,000 were not filed. These types of transactions, which were conducted through the Bank's internal accounts and could not have been done without the active assistance and involvement of Bank employees, themselves created the opportunity for extensive tax fraud and

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tax evasion by Bilbeisi, his companies and his partners, and thus they potentially implicate the Bank itself.

After continuing these operations on a consistent basis for a period of four years, U. S. prosecutors could now argue that the Bank's accommodating methods of financing Bilbeisi and the Bank's unquestioning servicing of his letters of credit evidence the Bank's own awareness of Bilbeisi's smuggling operation and the Bank's complicity in it. Bilbeisi's "waivers" based upon his possession of the coffee, the constantly defective and contradictory documents, the false ports of destination, and the accommodating extensions of credit which themselves exposed the Bank, could all arguably be seen as evidence of the Bank's knowing assistance of the Bilbeisi smuggling operation. Thus, although we have found no direct evidence that any Bank employee actually knew that Bilbeisi was smuggling coffee (or other commodities) into the U. S., prosecutors could argue from these overall circumstances that Bank employees (and therefore the Bank itself) did in fact know.

Sakhia's lessons in "accommodating" major customers were well-learned by Nadim Hasan, who, as manager of the Boca Raton Agency, "serviced" Bilbeisi's partners. It was directly through Hasan that Bilbeisi's partners, Calderon,



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Otano and Villalba opened three Panamanian "shelf" corporation accounts with BCC in London, in the names of Franjuli, S.A., Chevere, S.A. and Labaro, S.A. These accounts appear to have been opened for the purpose of evading U. S. taxes, and Calderon, Otano and Villalba were personally serviced by Majaz Malik, the manager of the Swiss Cottage branch in London. Malik admitted he knew that the corporations were "shelf" corporations which did no business and that their accounts had been opened for "tax purposes," but felt that his customers' attempts to evade U. S. taxes were not his concern. His actions could easily be characterized by prosecutors as demonstrating his membership in a conspiracy with Calderon, Otano and Villalba to impede the Internal Revenue Service and prevent the collection of taxes from Bilbeisi's associates, and thus his actions could implicate the Bank itself. That all of Malik's acts occurred in England affords the Bank no defense.

Hasan's and Malik's activities were not confined to just these corporate accounts. At Malik's direct urging, Calderon, Otano and Villalba opened nine personal accounts at Malik's Swiss Cottage Branch within several months of opening the three corporate accounts. These personal accounts were then used for the issuance of bank guarantees from Swiss

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Cottage, securing millions of dollars in loans issued at both the Boca Raton Agency and the Swiss Cottage branch. Such "cash collateralized" loans are considered by U. S. prosecutors and investigators to be major indicators of tax evasion.

Calderon, Otano and Villalba were key members of the Bilbeisi smuggling operation until they apparently broke with him in late 1985. After that it is unclear just what business they were in, but whatever it was it generated millions of dollars for them, which they deposited in their BCC accounts. After breaking with Bilbeisi, they opened another Swiss Cottage account for a corporation they jointly owned, Commodity Brokers International. This corporation maintained another account at BCC Colon, and millions of dollars were transferred between these two accounts and all the other Calderon, Otano and Villalba personal and corporate accounts between 1986 and 1989. These circular transfers themselves could be considered as suspicious by prosecutors and investigators, and even be viewed as indicators of illegal money laundering. In addition to the millions of dollars transferred to, from, among and between all of the Swiss Cottage and Panama accounts held by Calderon, Otano and Villalba, large transfers were also made by them to Gerardo

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Harris, Manuel Noriega's associate. Instructions issued to the Panama Agency by Calderon, Otano and Villalba directly authorized transfers to and from their accounts upon the instructions of Majaz Malik, among others. Since the Swiss Cottage personal accounts were secret "manager's ledger" accounts personally supervised by Malik, these instructions as well as Malik's personal involvement with the circular transfer of the funds among the accounts and his awareness of the "tax purposes" of the accounts could implicate the Bank itself in conspiracy charges relating to tax evasion and money laundering by Calderon, Otano and Villalba.

Another account under IRS investigation, far smaller and less questionable than those of Bilbeisi, Calderon, Otano and Villalba, is that of Heather Wyser-Pratte. In 1983 she opened an account at the Cromwell Road branch, which was moved in 1988 to the Regent Street branch in London. The initial account at Cromwell Road was a time deposit account opened by her through Nadim Hasan in the amount of US\$600,000. Apparently, Pratte did not pay tax on the interest earned on this account and failed to disclose its existence to the IRS between 1983 and 1989. Pratte has claimed that she thought she had opened an "interest-earning tax-exempt" account, and that she had been told this

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by a BCC officer whose name she cannot now remember. Since the prosecutors and investigators already suspect BCC of actually advising its customers about the means and methods of avoiding and evading income taxes, it is possible that they will consider the Pratte account yet another example of the Bank, through Nadim Hasan, conspiring with a U. S. taxpayer to evade taxes and impede the IRS.

The attitude of U. S. prosecutors and investigators toward the Bank is very unfavorable. They incorrectly and unfairly view its management as condoning and encouraging Bank employees in advising and assisting customers in money-laundering and tax evasion. As a result of this attitude, the transactions engaged in by the Bank on behalf of Bilbeisi, Calderon, Otano, Villalba and Pratte could possibly be interpreted as evidence of a conspiracy between the Bank and its customers to, among other things: smuggle goods into the U. S.; make false statements to U. S. agencies and departments; launder money derived from smuggling; fail to file reports of cash transactions over US\$10,000; violate the U. S. money laundering statute; evade U. S. taxes; and impede the Internal Revenue Service in the performance of its lawful functions. Essentially, the activities of the members of the "bank within a bank" between 1982 and 1988 could criminally

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implicate BCC in the U. S.

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**III. MUNTHER BILBEISI**

A. **BACKGROUND:** Munther Bilbeisi is a 60-year old Jordanian citizen who was born on July 23, 1930 in Amman, Jordan. He entered the United States December, 1976 and received permanent resident status sometime in 1977. Bilbeisi currently resides in Amman, Jordan and London, England, and during his residence in the United States he lived in Boca Raton, Florida.

B. **BILBEISI ASSETS:** Munther Bilbeisi's family is reported to be one of the wealthiest in Jordan. His father, Ismail Bilbeisi, formed Ismail Bilbeisi and Co., Ltd., headquartered in Amman, and this company reportedly acts as exclusive General Agents for Toyota in Jordan, as well as General Agents for Panasonic Radio and British Petroleum Products. Ismail Bilbeisi, one of the largest landowners of commercial, residential and farm properties in Jordan, died in December, 1977, leaving his entire business and estate to his six children, each of whom reportedly inherited a one-sixth interest. Munther Bilbeisi estimated the 1983 value of his share of Ismail Bilbeisi and Co. at US\$16 million, and his share of the real estate holdings at US\$27 million. This information is based upon an individual Statement of

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Assets and Liabilities compiled in November, 1983 by Munther Bilbeisi's outside accountant, Kenneth Grushoff. Ex. 1.

Grushoff's report further identified Munther Bilbeisi's net worth in the United States at US\$3.5 million, consisting of mortgaged and unmortgaged land in the Boca Raton, Florida, area, eight cars and a 48-foot yacht.

Grushoff further reported approximately US\$1.4 million in assets held by Munther Bilbeisi in the United Kingdom, consisting of five automobiles and real estate, and assets held by Bilbeisi in Spain consisting of five more automobiles (value US\$245,000) and real estate (value 153 million Spanish pesetas).

To our knowledge, Grushoff's Statement of Assets and Liabilities has never been independently corroborated; and Munther Bilbeisi has never submitted any audited financial reports or documents to substantiate his wealth, despite several requests to do so by the Bank.<sup>4</sup>

Munther Bilbeisi's banking interests during the period covered by this report (1982 through 1989) include accounts at Banque de Paris et des Pays-Bas (Suisse) and the Arab Bank

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<sup>4</sup>The Central Credit Committee was presented annual credit line proposals ("CLP's") by the Latin American Regional Office for Bilbeisi and his companies. Each indicated that financials had been requested, but the files reveal no such financials ever having been delivered. Ex. 2.

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(Overseas), both in Geneva, Switzerland.<sup>5</sup> In addition, he maintained accounts with the Arab Bank Limited and Grindlay's Bank in Amman, Jordan, as well as at BCC in London, Nassau, Panama, Miami, Boca Raton and Amman.<sup>6</sup> One of his companies, Coffee, Inc., maintained accounts at the Atlantic Bank in Boca Raton, Florida, as well as at BCC in Boca Raton, Miami and Nassau. Other companies owned or controlled by Bilbeisi also kept accounts at BCC Miami, Boca Raton, or Nassau. Bilbeisi's associates also maintained substantial accounts with BCC London and Panama. See, Section IV B, C and D.

C. BILBEISI BUSINESS INTERESTS: Munther Bilbeisi's business interests appear to be extensive. BCC Miami files indicate that at least in 1988-89 he was involved in the international sale of helicopters between Jordan and Guatemala. It has been alleged that Bilbeisi is in fact an

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<sup>5</sup>Detailed information concerning these accounts is unavailable. However, Munther Bilbeisi maintained assets of between U.S.\$1.8 and \$2.5 million at the Arab Bank, as reflected in the various letters of guaranty issued by that bank to BCC in Bilbeisi's behalf.

<sup>6</sup>Munther Bilbeisi's brother, Fakhri Bilbeisi, is currently the Country Manager of BCC in Jordan; prior to that position he was manager of the BCC Agency in Amman. Ismail Bilbeisi & Co. also maintained extensive banking contacts with BCC Amman. As of December 31, 1983, that company as well as other family members held a credit line of US\$6.6 million, and had outstanding debts to that Agency of US\$9.3 million. Ex. 51.



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arms dealer, a fact which Bilbeisi has vehemently denied under oath in a deposition taken in Miami on May 19, 1990.<sup>7</sup>

Ex. 3. In the unsubstantiated Grushoff Statement of Assets and Liabilities, Bilbeisi described himself as doing, "on occasion," Jordanian government contracts as a supplier of commodities such as cement, foodstuffs and livestock, as well as the purchase of "distressed merchandise" exported to Jordan and Saudi Arabia.

Other businesses with which Bilbeisi has been identified are "real estate and the import of Persian carpets." This information was reported on the "New Proposal for Central Credit Committee Meeting" submitted by the Latin American Regional Office in Miami in January, 1984, and aside from the fact that Bilbeisi owns real estate, it is almost certainly incorrect in its description of his business.<sup>8</sup> Ex. 51.

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<sup>7</sup>This deposition was taken in the case of Nicholas Collwyn Sturge v. Coffee, Inc., and involves an insurance claim filed by Coffee, Inc. with Lloyds of London for U.S.\$3.5 million based upon an alleged "switch" of insured coffee being transported by Coffee, Inc. from Guatemala to the United States in 1986.

<sup>8</sup>Throughout our investigation we have uncovered absolutely no indication that Bilbeisi is involved in the real estate business or the import of Persian carpets, and no bank files made available to us (including the unsubstantiated Grushoff Statement of Assets and Liabilities) support that statement.

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Bilbeisi has only three types of businesses which we have been able to independently verify: (1) arms dealing, at least in 1988-89; (2) rental of international shipping trailers and containers through Container International Transport Limited, Inc., International Chassis Transportation Systems, Inc., and Consolidated Trailers, Inc.;<sup>9</sup> and (3) the export of coffee beans from Central America to the United States. It is Munther Bilbeisi's coffee business which is at the core of his relationship with BCC in Miami.

D. BILBEISI COFFEE SMUGGLING OPERATION: Munther Bilbeisi's coffee operation intimately involves two companies directly controlled by him. The first and most important is Coffee, Inc., a Florida corporation formed in September 1983 for the business of importing coffee from Central America. Ex. 4. Coffee, Inc. is still in business and its headquarters are now located at Bilbeisi's former residence, 701 Sanctuary Drive, Boca Raton, Florida. Munther Bilbeisi is President and Director of this company, and Gloria

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<sup>9</sup>Each of these companies were incorporated in Florida in November, 1983, shortly before receiving large loans from the Boca Raton Agency in December, 1983. Each was involuntarily dissolved in November, 1984, but apparently continued to do business as limited partnerships until December, 1984. At that time Bilbeisi's interest in them was sold to his partners, Steve Calderon, Joseph Villalba and Jose Otano, who continued their operations while receiving additional loans from the Boca Raton Agency secured by deposits in BCC London.

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Delgaudio, a Coffee Inc. employee, is the corporate Secretary and Treasurer. The second corporation is Orion Systems (Panama), S.A., a Panamanian corporation. Orion was formed by Bilbeisi prior to Coffee, Inc., and it, too, was in the business of buying and selling coffee. Ex. 5. When Coffee, Inc. was established Bilbeisi combined the activities of the two companies under one accounting and tax reporting system.

Bilbeisi's coffee transactions constituted a massive smuggling operation of coffee from various Central American countries into the United States. Ex. 6. Bilbeisi's principal associates in this endeavor were Steven Calderon, Jose Otano and Joseph Villalba, each of whom played a key role in the business and also maintained substantial and very active accounts with BCC in London and Panama. The smuggling operation was in place from about mid-1983 through late 1986, when a disastrous fall in coffee prices essentially drove Bilbeisi out of business.

Bilbeisi's key associates in this operation, Steven Calderon, Jose Otano and Joseph Villalba, each held important positions with the Coordinated Caribbean Transport Shipping Line ("CCT"). Otano was in charge of Central and South American shipments for CCT; Calderon was Vice President of Operations for CCT and the direct supervisor of Jay Anthony

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Aramburo, a key functionary in New Orleans; and Villalba was in charge of in-bound shipments for CCT. Ex. 6. These individuals were perfectly positioned to insure a successful smuggling operation, and were essential to Bilbeisi's scheme. They worked with him from at least 1983 through late 1985, at which time, apparently due to a financial dispute, they broke with Bilbeisi and reportedly engaged in their own import transactions, the nature of which are unclear. Munther Bilbeisi continued in coffee smuggling after they broke with him in 1985, but on a reduced basis until late 1986 or early 1987 when low coffee prices basically drove him out of the business.

Munther Bilbeisi maintained "agents" in various Central American countries, in particular Guatemala (Humberto Hernandez and Wallace Pappadopollo) and Honduras (Elio Ordonez, Manuel Davila, and Arnulfo Andara Flores).<sup>10</sup> Each of these "agents," with the possible exception of Davila, were local employees of CCT.

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<sup>10</sup>There was also a direct connection between Munther Bilbeisi and Gerardo Harris, the former Vice-Minister of Treasury under the Noriega regime in Panama. Harris knew Bilbeisi, and put him together with Carlos Dubon, a former government official under the Samosa regime in Nicaragua, for several "coffee deals" out of Honduras in 1985. Ex. 7. For a more detailed review of the possible connection between Bilbeisi and Noriega, see Section II J.

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These and other "agents" arranged for the purchase in these countries of coffee known as "resaca," generally considered to be sub-standard grade prohibited from export. This coffee was smuggled out of Central America on board ships usually owned by the CCT Line. Arrangements were made at the Central American port of embarkation for the coffee to be loaded into large containers and put on board a CCT ship. This involved the active assistance of CCT officers Calderón, Otano and Villalba, as well as of local Central American port officials. Ex. 6.

According to the sworn testimony of Jay Anthony Aramburo and others, the coffee was loaded and transported to the U.S. by means of "short shipping," which means that the coffee was listed on the ship's manifest but was shown as not having arrived at the port on time and therefore not put on board the ship. In fact, the coffee was put on board the ship in specially marked containers. Once the ship left port with the coffee successfully smuggled aboard, a CCT contact in a United States port was notified. Ex. 6.

One such contact, Jay Anthony Aramburo, a CCT employee, was located in the Port of New Orleans and his operation is typical of the overall smuggling scheme. Prior to the arrival of the smuggled coffee, Aramburo would be called by

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Elio Ordóñez, or one of Bilbeisi's other "agents," who would report to him the departure of the coffee, the ship's name and the identifying numbers of the containers holding the smuggled coffee. The "agent" would then send the bills of lading and a list of the containers to be identified as "short shipped." When the ship arrived in New Orleans, Aramburo would amend the ship's manifest to show that the containers holding the coffee had not been put on board. In this way, Bilbeisi avoided the requirement of sanitary inspections for imported consumable products as well as the coffee import quotas. This would successfully avoid any U.S. Customs Service clearance and inspection of those containers. In the meantime the negotiable bills of lading had been sent to the Miami Agency in order to arrange for payment through Bilbeisi's various letters of credit.<sup>11</sup>

By means of this smuggling operation, unexportable "resaca" coffee was exported from Central America without the payment of taxes or other fees in the exporting countries,

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<sup>11</sup>It is by no means clear that coffee was the only substance smuggled by Bilbeisi and his partners into the United States in this manner, and it is possible that the marked containers also held other materials, possibly even illegal drugs. The method of operation, the countries involved and their proximity to narcotic source and transit countries such as Colombia and Panama, the amounts of money involved as reflected in various bank accounts and the movement of those funds clearly indicate this possibility.

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and imported into the United States without sanitary inspection or the restrictions of the coffee quota imposed by United States membership in the International Coffee Organization.

Coffee was imported via New Orleans, Miami and Tampa. Whatever port it entered through, however, it all ultimately came to Miami, where it was rebagged and fraudulently marked as a higher grade. Ex. 6. This rebagging took place at Twin Terminals Warehouse, a storage facility for imports being unloaded in Miami. After being rebagged and marked at a higher grade, the coffee was generally sold at an inflated price to Chase & Sanborn or Chock Full O'Nuts.<sup>12</sup> Part of the operation included the payment of alleged "kickbacks" in the form of "commissions" to such persons as Arthur Berman (President of Chock Full O'Nuts and Vice President of General Coffee) and Frank Aravelo, operator of Twin Terminals for his help in rebagging coffee. Ex. 8.

The Bank's role in this smuggling operation consisted of: (1) opening letters of credit for Coffee, Inc. by means of which Bilbeisi financed his coffee purchases and gained

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<sup>12</sup>These corporations were subsidiaries of General Coffee, an entity owned and controlled by Alberto Duque. As will be noted below, General Coffee and Duque defrauded BCC of over U.S.\$5 million. See pp. 82, 83.

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legitimate admission into Guatemala and Honduras; (2) extending credit to Bilbeisi and Coffee, Inc. in order to finance the letters of credit; and (3) issuing numerous, large, consecutively numbered cashier's checks to the same payee which were ostensibly used to pay for coffee purchases in Central America (and according to Louis Altemar, a former member of the smuggling operation, also to bribe local officials as necessary or to pay "kickbacks" and "commissions"). There is no direct evidence that the Bank, through any of its officers or employees, knew that Bilbeisi's coffee business was a smuggling operation, although as noted in Section III(I)(6) below there are grounds to claim that the Bank should have known, and grounds from which it can be inferred that the Bank was in fact fully aware.

E. BILBEISI RELATIONSHIP WITH BCC: Munther Bilbeisi's relationship with BCC Miami began in 1982, when he opened his first individual account.<sup>13</sup> Since that time, and up to early 1989, the relationship between Bilbeisi and the Bank can best be described as very close.

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<sup>13</sup>Bilbeisi maintained accounts with BCC in Jordan and other Agencies prior to his relationship with BCC in the United States.



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Bilbeisi was originally "marketed" for the Miami Agency by Nasim Farooqi, who was in charge of marketing in 1982. Originally, the Miami Agency had received a remittance for Bilbeisi, and this was personally delivered to him by Farooqi. As a result of Farooqi's efforts, Bilbeisi became an extremely active customer of the Bank. Ex. 9.

As Bilbeisi did more and more business with BCC in Miami (accounts and letters of credit) and Boca Raton (accounts and corporate loans), he came to be treated as a special customer who required special handling. When Bilbeisi had a question, need or problem, he was allowed to go directly to whomever he chose and at his own convenience. Bank employees have variously described his demeanor as demanding, loud, argumentative, intimidating and condescending to low level employees. Nevertheless, over the years he developed a close personal relationship with Nadim Hasan, the Manager of the Boca Raton Agency and close associate of Regional Manager A. R. Sakhia, and frequently invited Hasan to his home for social as well as business purposes. Ex. 10.

In the area of letters of credit, Bilbeisi worked directly with Hamid Khan, who was in charge of the Miami Letter of Credit Department from mid-1983 through 1986, the

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period of Bilbeisi's greatest letter of credit activity. In fact, Khan has been described as Bilbeisi's "advisor" on banking and financial matters. This relationship with Khan was not exclusively business oriented, however, since Bilbeisi on occasion entertained Khan and his guests on Bilbeisi's yacht, Ex. 11, 12, and apparently did at least one personal financial favor for Khan.<sup>14</sup> Bilbeisi also worked directly with Hassan Parvez, Miami Agency Manager from 1984 through 1988, with Boca Raton Agency Manager Nadim Hasan, and with A. R. Sakhia, the Latin American Regional Manager, to each of whom he had unrestricted direct access.

Bilbeisi's direct relationship with these individuals, and especially with Sakhia, was crucial to Bilbeisi's overall relationship with the Bank. All of the officers and employees we have interviewed have asserted that Sakhia, as Regional Manager, was in fact the real manager of the Miami Agency. He kept fully informed of all of the Agency's operations and actually exercised direct control over that Agency, even to the extent of completely by-passing the various Agency Managers and issuing direct orders to Agency officers and employees. Ex. 13. Management of the Agency by its titular managers was in name only. Sakhia exercised

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<sup>14</sup>See pp. 161-162 below.

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direct control, and nothing was done by the Agency's or the Region's officers without his direct knowledge. Ex. 14. According to several Bank employees, Nadim Hasan, was Sakhia's close associate and right hand man in Miami, which enabled Sakhia to maintain the same degree of control in the Boca Raton Agency. See, Section V(A).

**F. ALLEGATIONS BY LOUIS ALTEMAR AGAINST BILBEISI AND BCC**

Louis C. Altemar is a native of Haiti who was first an employee and then a business associate of Munther Bilbeisi between 1976 to 1988. Ex. 15.

Until late 1985, Altemar served as driver, handyman and bodyguard for Bilbeisi.

Beginning in approximately November 1985, Bilbeisi used Altemar as an agent for the purchase of coffee and as a courier for money to be used to purchase that coffee. Ex. 16. Altemar became the payee of over US\$2.5 million in cashier's checks which he distributed on behalf of Bilbeisi.<sup>15</sup> In these capacities, Altemar claims to have an

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<sup>15</sup>In 1987 and 1988, after Bilbeisi's coffee business ended, Altemar actively participated in the sale of certain helicopters to Guatemala on behalf of Bilbeisi and his company Mura International. Altemar was paid a commission of approximately US\$75,000 by Bilbeisi for his services. See, Section III(I)(7).

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intimate knowledge of Bilbeisi's businesses, Bilbeisi's business and personal associates and his relationship with certain officers in the Miami and Boca Raton Agencies and the Regional Office.

Altemar has become a witness against Bilbeisi and has given a sworn statement in the current civil litigation brought by a Lloyds of London insurance syndicate against Coffee Inc. and Munther Bilbeisi (see, footnote 7).

In this statement, Altemar said that Bilbeisi's coffee import business was in fact a smuggling operation.<sup>16</sup> He also stated: "I know that Mr. Bilbeisi paid employees of BCC banks cash to obtain letters of credit and entertained them at his house at the Sanctuary." Ex. 17.

In order to obtain further details of Altemar's knowledge of Bilbeisi's relationship with BCC officials, he was interviewed by BCC investigators on March 30, 1990. Ex. 16.

At that time, Mr. Altemar gave only incomplete information and provided no substantiation to his "pay-off" claim. He did state, however, that Munther Bilbeisi had an "improper relationship" with five BCC officials, namely A.R.

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<sup>16</sup>This statement has been corroborated by the sworn statements of Jay Anthony Aramburo and Carlos Dubon, both themselves participants in the scheme.

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Sakhia, Nasim Farooqi, Hassan Parvez, Nadim Hasan and Hamid Khan. Altemar asserted that these five officers did many favors for Bilbeisi, and that Bilbeisi could get them to use the Bank's money instead of his own to finance his smuggling operations. In addition, Altemar stated that Bilbeisi could get loans, cashier's checks, or anything else he wanted from BCC because of his relationship with these Bank officers.

Specifically, Altemar claimed that:

(1) Nasim Farooqi, who handled Bilbeisi's business at BCC Miami in the very early years of Bilbeisi's dealings with the Bank, had several of his American Express bills paid by Bilbeisi, including one which Altemar recalled was in the amount of approximately US\$11,000. This allegedly occurred in 1983 and 1984. Farooqi also was the recipient of cash payments from Bilbeisi during this period. Altemar provided no detail on these payments.

(2) Nadim Hasan, whom Altemar described as Bilbeisi's best friend, received frequent cash payoffs from Bilbeisi, including several which were allegedly witnessed by Altemar himself at the home of Bilbeisi in Boca Raton. Altemar was very vague with respect to how much money was involved, or the frequency of the payoffs. He stated that on three or more occasions he witnessed Bilbeisi giving Hasan a "stack of

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bills," one or two inches high, at Bilbeisi's home. Hasan was described by Altemar as a frequent visitor to Bilbeisi's homes, and as a recipient of female companionship provided by Bilbeisi.

(3) Hamid Khan, whom Altemar described as also being very close to Bilbeisi, and having done many favors for Bilbeisi at BCC, allegedly accepted money and favors from Bilbeisi. Altemar stated that he knew of a US\$2,500 check which Bilbeisi wrote to Diane Mandarino, a former girlfriend of Khan whom Altemar stated also had a relationship with Bilbeisi. Altemar alleged that the check to Mandarino was a payoff to Hamid Khan.<sup>17</sup> Altemar further stated that Khan received additional cash payments from Bilbeisi, which Altemar personally observed. Khan was also alleged to be a frequent visitor to Bilbeisi's home.

(4) With regard to Sakhia and Parvez, Altemar stated that he knew of no cash payoffs, but that Parvez handled many post-dated checks from Chock Full O' Nuts and Chase & Sanborn for Bilbeisi, for which Bilbeisi was very grateful.

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<sup>17</sup>The source of Altemar's knowledge about this check is highly suspect. It is entirely possible that the attorney for Lloyds of London was the person who showed this check to Altemar and coached him on its alleged purpose as a Bilbeisi payoff.

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Altemar's undocumented allegations about cash payoffs to Farooqi, Nadim Hasan and Hamid Khan are difficult, if not impossible, to corroborate, since the only ones who can testify about them are the payor (Bilbeisi), the payees (Farooqi, Hasan and Khan), or Altemar, the alleged witness.<sup>18</sup>

Our document review tends to confirm some portions of Altemar's allegations, in that the five Bank officials he named did regularly appear in Bank files as the persons who had direct regular contact with Bilbeisi and were the ones who handled most of his business with the Bank, including issuance of cashier's checks, letters of credit and loans.

Other allegations made by Altemar, however, have not been independently corroborated. With regard to those allegations made by Altemar which could be investigated further we have established that:

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<sup>18</sup>Bilbeisi, Sakhia and Hasan have refused to discuss these matters with us. We have been unable to locate Farooqi. Altemar, after the initial interview, has refused to meet with us again and has failed to provide any corroborating detail to support his claims. Altemar has stated that he has "some documentation" to support his allegations, but we have never had the opportunity to interview him in depth again, first encountering resistance from Altemar, who demanded payment for his time as consulting fees for his testimony, and then having his lawyer, Nathan Diamond, refuse to make him available for further interview because of his impending appearance before a federal grand jury.

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(1) According to confidential sources, N. Farooqi has never had an American Express account. Thus, Altemar's allegations regarding Bilbeisi's payment of Farooqi's American Express account are either mistaken as to the identity of the credit account or entirely untrue.

(2) On April 14, 1986, a check was issued from the Coffee Inc. account at Atlantic Bank to Diane Mandarino for US\$2,500.00.<sup>19</sup> A notation on the check stated for "Mrs. Hamid Khan." At depositions recently taken in the civil action between Lloyds of London and Bilbeisi, both Bilbeisi and Khan provided conflicting explanations as to the purpose

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<sup>19</sup>Mandarino, currently living in the Chicago, Illinois area was formerly employed at the Citibank office in Miami. While in Miami, she and Khan lived together from approximately 1983 through 1987. The relationship was known to many employees of BCC in Miami. Mandarino denied any knowledge of payments to Khan by Bilbeisi and she further denied any knowledge of the \$2,500 issued in her name by Coffee Inc. She further denied that she had endorsed such a check and claimed any such endorsement was fraudulent.  
Ex. 11.



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of the check.<sup>20</sup> There is no other physical evidence of any other payments from Bilbeisi to Khan.

(3) Louis Altemar alleged that on several occasions Bilbeisi provided female companionship for BCC officials, particularly Nadim Hasan. Our investigation has revealed that Bilbeisi had two female companions who may have been involved in this allegation. These are Tiffany Kimball and Tamara Mize. Kimball was identified during our interview with Nadim Hasan as a young girl with whom Bilbeisi was having an affair. Hasan admitted that he had seen Kimball at Bilbeisi's home on several occasions but denied that he had

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<sup>20</sup>See footnote 93. There is some confusion as to the reverse side of the check. We have obtained two different versions of the endorsement side of the check: one bears the endorsement "For deposit only - To the Postmaster's Official Checking Acct"; the other bears the endorsement "Diane Mandarino - Pay to the order of Pan American Bank N.A." In our interviews with Diane Mandarino she was shown both versions of this check. She has denied any knowledge of the check and has denied that she has ever endorsed any check in the amount of \$2,500 from Bilbeisi's company Coffee Inc. It should be noted that the version of the check which bears the Postmaster endorsement was obtained from James Dougherty, Esq., attorney for Lloyds of London. He claimed this version came from documents subpoenaed from Atlantic Bank. The second version which bears the endorsement of Diane Mandarino was also obtained from James Dougherty who received it through a document request from Munther Bilbeisi. Both versions have been made exhibits in the Sturge/Coffee Inc. litigation. Ex. 19.

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any type of personal relationship with Kimball or any other female friend of Munther Bilbeisi.<sup>21</sup> Ex. 18.

Additional investigation regarding Kimball revealed that on at least two occasions Kimball was paid a total of US\$4,000 by Munther Bilbeisi in the form of cashier's checks from the Boca Agency. Moreover, in September 1984, Tiffany Kimball opened an account at the Nassau Agency (then still located in the Miami Agency office) with a deposit of US\$1,500.00 drawn on an account of Munther Bilbeisi. A handwritten notation was contained in Kimball's Nassau account folder which identified her as Mr. Bilbeisi's "niece" and requested expeditious handling of the account. Ex. 20.

Attempts were made to locate and interview Kimball regarding her knowledge of Bilbeisi's relationship with the Bank officers. Kimball was finally located in the Orlando, Florida area, but she has refused to answer any questions. Ex. 21.

Tamara Mize, like Kimball, has been identified as a frequent companion of Munther Bilbeisi and an attendee at

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<sup>21</sup>It should be noted that Hasan answered only several questions about Kimball. Immediately after Kimball's name surfaced in the interview, Hasan had a private conference with his attorney and thereafter Hasan terminated the interview and refused to answer further questions.

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numerous social functions at Bilbeisi's home in Boca Raton. Like Kimball, Mize received several thousand dollars from Munther Bilbeisi, some of which was for her medical or dental bills in New York. Ex. 22.

Mize now resides with her mother in the West Palm Beach, Florida area. Her mother was interviewed regarding her knowledge of Munther Bilbeisi and his relationship with Tamara Mize, BCC or any of its officers. She would not make Tamara Mize available for questioning. Ex. 23.

Altemar is the only person who thus far has made any specific claims about improper activities between Bank officers and Bilbeisi. As noted, those allegations are vague and for the most part unsubstantiated. Moreover, Altemar, an admitted member of Bilbeisi's coffee smuggling scheme, is a questionable source of highly suspect credibility.

There are, however, portions of Altemar's claims which appear to be corroborated and which all boil down to his allegation that Bank officials were performing "favours" for Bilbeisi, "favours" which were essential to the successful operation of his smuggling scheme. These included the granting of apparently under - collateralized loans, the accommodating issuance and administration of letters of credit, the establishment of accounts in both Nassau and

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Panama without proper documentation, the transfers of account balances to hide those funds and the supply of cash from corporate accounts with little "paper trail."

**G. THE ESTABLISHMENT OF BILBEISI'S U. S. ACCOUNTS**

Bilbeisi's business relationship with the Miami Agency began on December 1, 1982, when he opened his personal account with a deposit of US\$125,000. These funds were transmitted from BCC Amman via BCC London. Ex. 24. Although this account remained opened until May 11, 1986, the majority of the account activity occurred during 1983, when over US\$688,000 in deposits and over US\$750,000 withdrawals were made. See App. 3. At the end of 1983, this account was in an overdraft status in the amount of US\$43,000. Ex. 25.

Bilbeisi's first business account with BCC Miami was in the name of Orion Systems (Panama), S.A., which was opened on December 28, 1982, only three weeks after his personal account was established. The manner of opening was unique in that it was opened with a withdrawal of US\$15,282.50 instead of a deposit. This was done in connection with Bilbeisi's first letter of credit issued by the Miami Agency, IMP-166/82. Ex. 26. In order to provide the opening fees for that letter of credit, Orion was opened and immediately debited in the amount of the opening fee. In short, Bilbeisi

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literally used the Bank's money to open his first letter of credit, even though neither he nor Orion Systems had established an authorized line of credit or signed any loan documents. Significantly, as of December 28, 1982, Bilbeisi's personal account maintained a credit balance sufficient to cover this debit in Orion Systems. Ex. 24.

This situation was the first step in a long policy under which Bilbeisi successfully continued to use the Bank's money to conduct his operations, without the required approval of a sufficient credit line by the Central Credit Committee in London, and often without adequate loan documentation.

During 1983 there was significant activity in the Orion Systems account, with total deposits of US\$3.8 million and total withdrawals of US\$4.1 million. See App. 3. As of December 31, 1983 Orion Systems, like Bilbeisi's personal account, was in an overdraft status in the amount of almost US\$400,000.<sup>22</sup> Ex. 27.

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<sup>22</sup>The overdraft status in the Orion and personal accounts continued into late February, 1984, when U.S.\$400,000 was transferred into the Orion account from BCC Khartoum. In response to our inquiries, Khartoum confirmed this transfer but indicted that these funds did not come from any accounts maintained by Bilbeisi, Orion or Coffee, Inc. Khartoum declined to identify the source of these funds. Ex. 28.

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It is interesting to note that both the Orion Systems and Bilbeisi personal accounts were significantly overdrawn in December, 1983, because at exactly the same time the Bank, through its newly established Boca Raton Agency, was negotiating to provide a US\$2.5 million loan to three other Bilbeisi companies, each of which had been formed only weeks before the loan application. The loan was secured in part by Bilbeisi's personal guarantee. These negotiations were conducted by Latin American Regional Manager A. R. Sakhia and Boca Raton Manager Nadim Hasan. The documentation for that loan makes no reference whatever to Bilbeisi's personal overdraft of US\$43,000 or Orion's overdraft of almost US\$400,000.<sup>23</sup>

Another significant factor in the early days of these two accounts is the demonstrable financial relationship between Bilbeisi's operations and the operations of General Coffee, a major coffee importer during 1982 and 1983. The Miami Agency financed at least a portion of General Coffee's imports, which resulted in a US\$5 million loss to the Bank.

Ex. 29.

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<sup>23</sup>There were a number of other questionable activities involving that U.S.\$2.5 million loan, as will be described more completely at pages 46-56.

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In May, 1983, General Coffee filed for bankruptcy in Miami, Florida. Subsequent investigation connected with that bankruptcy revealed that General Coffee's operation was fraudulent, in that the imports of coffee made under BCC-issued letters of credit apparently did not exist. Alberto Duque, the owner and operator of General Coffee, had forged bills of lading and other documents in order to create the illusion that his BCC letters of credit were used to purchase Colombian coffee, when apparently no such purchases or imports had been made. Ex. 30. This fraud, which was perpetrated on BCC and other institutions, resulted in a loss of over US\$5 million to the Bank, a fact which Regional Manager Sakhia was fully aware of by mid-1983.<sup>24</sup>

During 1983, Orion Systems received over US\$662,000 in payments from General Coffee, apparently for Coffee purchases by General Coffee from Orion. Ex. 31. Most of this activity occurred after the General Coffee bankruptcy. Some of these payments involved Bilbeisi's first large cash transactions with the Miami Agency. One day after the General Coffee

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<sup>24</sup>For reasons unknown to us, BCC had not placed itself in the position of consignee of the imported coffee in order to secure its financial position on the letters of credit issued to Duque, an action generally considered normal under most import financing circumstances. Instead, the Miami Agency secured the letters of credit by Duque's personal guarantees, which ultimately proved to be worthless.

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bankruptcy, Bilbeisi withdrew US\$30,000 cash from the Orion corporate account. Over the next month, Bilbeisi withdrew a total of US\$82,140 cash from the Orion account in four transactions. The last transaction, in the amount of US\$40,000, was made two days after Orion received its first deposit from General Coffee.<sup>25</sup> Ex. 32.

During the fall of 1983, Bilbeisi opened what was by far his most active account with BCC: Coffee, Inc., opened on September 9, 1983. The initial deposit of US\$148,987.85 consisted of checks issued to Coffee, Inc. by General

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<sup>25</sup>U. S. law requires that cash transactions of over US\$10,000 be reported by a bank to the Internal Revenue Service on a Currency Transaction Report ("CTR"). No record of any CTR filing of any kind is available at the Miami Agency for the period preceding January 1, 1987. Accordingly, there is no record of a CTR filing on any of these cash transactions. Our confidential sources indicate that the Internal Revenue Service has received no CTR's reflecting these transactions. In addition, at about this time, on August 9, 1983, the first apparent "structuring" in the Orion account surfaced. On that date, four cashiers checks for U.S.\$7,000, \$7,000, \$7,000 and \$6,000 were purchased by Orion. The checks, one to Brisker for \$7,000 and the remaining three to Jose Otano for \$20,000, appear to have been cashed the same day at the Miami Agency. Ex. 33. As noted, no record of any CTR's for these transactions exist, and our sources indicate that the IRS has received no filings relating to these transactions (it is arguable, however, that at least the purchase of these cashiers checks was not a reportable transaction).



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Coffee.<sup>26</sup> Ex. 34. The total transfers from General Coffee to Coffee, Inc. in the last four months of 1983 total almost US\$300,000.

During this period of time, Bilbeisi's Coffee, Inc. account at the Atlantic Bank received funds totaling over US\$5.5 million, the majority of which were from General Coffee. Ex. 35. These deposits provided the funds which were transferred into the Coffee, Inc. account at the Miami Agency, as identified above.

The year 1984 was the most active year for Coffee, Inc. During that year, deposits in excess of US\$19.9 million and withdrawals in excess of US\$19.7 million were made. See App. 3.

The significance of the financial relationship between General Coffee and Coffee, Inc. lies in the way the Latin American Regional Office, through its manager, A. R. Sakhia, reported to London, and in the way the letters of credit were handled by the Miami Agency. As noted above, the Bank lost over US\$5 million due to the letter of credit import fraud

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<sup>26</sup>Bilbeisi also maintained a Coffee, Inc. account at Atlantic Bank located in Boca Raton, Florida. Throughout the period of 1983 through 1989, significant transfers of funds between these two accounts occurred, and at times the matching deposits and withdrawals in these accounts actually take on the appearance of "kiting".

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perpetrated by Duque and General Coffee. This massive loss occurred just as Bilbeisi's companies were beginning to engage very heavily in the issuance of letters of credit for exactly the same purpose as General Coffee - coffee importation. Safe and sound banking practices would seem to suggest that, in reaction to the discovery that the Bank had been duped with false bills of lading, shipping manifests and other documents essential to letters of credit, the Bank would review similar documents - especially those involving the same commodity - with heightened care and concern. In regard to Bilbeisi's letters of credit, however, exactly the opposite seems to have occurred. In fact, letters of credit issued to Bilbeisi's companies were handled in what can only be described as a cavalier fashion by the Miami Agency.<sup>27</sup>

In addition, the Miami Agency and the Latin American Regional Office obfuscated and covered up what was actually

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<sup>27</sup> See Section III(I) below. The Miami Agency appears to have ignored what could reasonably be considered as warning signs of smuggling or other illegal activity, and also went out of its way to enable Bilbeisi, who with his companies was in an almost constant overdraft status beyond the approved credit limit, to continue to finance letters of credit. In short, under circumstances which should have caused alarm, the Miami Agency loosened its letter of credit issuance and payment procedures for Bilbeisi, and the Latin American Regional Office, which was fully aware of the activities inside the Agency, did nothing in its supervisory capacity to correct the situation.

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going on in Florida with Bilbeisi and his companies, as a review of a US\$2.5 million loan in Boca Raton as well as a December, 1983 credit line proposal to London eloquently demonstrates this point.<sup>28</sup> This was apparently done to avoid any questioning by London management of the relationship between Bilbeisi and the Miami and Regional offices, or of Bilbeisi's involvement in coffee imports -- questioning which certainly would have occurred after the General Coffee/Duque debacle.

1. The Boca Raton Loan:

The Boca Raton Agency was established in December,

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<sup>28</sup> See Sections III(G)(1) and (2). The overall situation in Florida did not escape the careful scrutiny of Mr. Saleem Siddiqi, then the Chief of Internal Audit for the Bank in London. Despite the barrage of lies and obfuscations emanating from Miami, Mr. Siddiqi became aware of at least part of the true situation involving Bilbeisi, and severely criticized both the Miami Agency and the Latin American Regional Office. Ex. 53. Despite his best efforts, however, Mr. A. R. Sakhia and his assistants, principally M.U. Rehman, Nadim Hasan and Hamid Khan, continued to operate in essentially the same fashion under the guise of "accommodating" a very lucrative customer, thereby exposing the Bank to serious financial loss and ultimately to potential criminal liability. It is to the credit of Mr. Siddiqi, however, that as soon as he became aware of the situation, he acted immediately to stop it, and it was only through the efforts of A. R. Sakhia and his assistants that Mr. Siddiqi was thwarted in those attempts.

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1983, and its first manager was Nadim Hasan.<sup>29</sup> M. U. Rehman, the Credit Manager at the Latin American Regional Office, has advised us that Nadim Hasan was an unusual choice for manager of this new Agency due to his lack of experience and seniority. However, Rehman stated that Hasan was very close to Sakhia and had been hand-picked by Sakhia for that position. Ex. 14.

The first loan issued by the Boca Raton Agency was made to three of Bilbeisi's companies: Consolidated Trailers; International Chassis Transportation Service; and Container International Transportation. This loan was negotiated by Nadim Hasan and A. R. Sakhia directly with Munther Bilbeisi at the Boca Raton office in December, 1983.<sup>30</sup> Ex. 36. The

<sup>29</sup>We have been unable to uncover any written proposal or authorization for the opening of this Agency by the Bank's management in London. Various Bank employees have reported that this Agency was opened because a "market survey" revealed major potential in Palm Beach, although we have not been able to locate any such survey. Similarly, no Bank employee has been able to explain why the Agency was physically located in Boca Raton when Palm Beach was in fact the targeted area. Reportedly the Internal Revenue agents have received information that the Boca Agency was opened to specifically accommodate Munther Bilbeisi.

<sup>30</sup>Bilbeisi was represented in the loan transaction by Carlos A. Castro of the Miami law firm of Castro & Castro. His law partner, Jose Luis Castro, was convicted and incarcerated along with Alberto Duque in connection with fraud charges relating to General Coffee. Bilbeisi's dealings with Duque and General Coffee have already been referenced. Correspondence by Carlos A. Castro to BCC

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loan was not only the first one made by this Agency, it was the first one received by these three companies, each of which had been incorporated by Bilbeisi in Florida only weeks before. Ex. 38.

The transaction actually involved three separate loans to each corporation but the loan proceeds were commingled. Technically, US\$1 million was loaned to Consolidated Trailers and International Chassis Transportation Service each, with the remaining US\$500,000 being loaned to Container International Transportation. Although the first two of these amounts were clearly above Sakhia's authorized limit of US\$500,000 as the Regional Manager, and the total amount clearly exceeded his authorized limit, no approval for these loans was sought or received from the Central Credit Committee in London, the only group in the Bank authorized to approve such large disbursements. Bank records show that the date of the loan was actually December 23, 1983 and on that same day the proceeds of the loan were transferred through the Miami Agency's internal accounts to newly established

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concerning these loans classifies them as "mortgage loan to Munther Bilbeisi," a classification which is plainly inaccurate since the loan on its face was for "working capital" for the corporations. As will be seen, neither description is truthful. Ex. 37.

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Bilbeisi accounts in Panama (US\$1.5 million) and Nassau (US\$956,250). Ex. 39.

On December 28, 1983, M. U. Rehman sent a telex to Khalid Sharwani of the Central Credit Division in London. Ex. 40. That telex referenced a telephone conversation between them that morning concerning loan advances by the Boca Raton Agency. Rehman recited that the security for the loans consisted of UCC filings on all of the assets of the companies, plus the personal guaranty of Munther Bilbeisi.<sup>31</sup> The telex stated:

"Please note that a complete credit proposal is being prepared for Central Credit Committee. For your information the above amount will not be disbursed before completion of all necessary documents." (emphasis added.)

In fact, as stated, the Agency's records show that the entire amount of the loans, US\$2,500,000, had been disbursed five days prior to Rehman's conversation with Sharwani. Ex. 39.

Shortly after this message, Sharwani sent a return telex to Rehman concerning the loans. Ex. 41. The telex acknowledged receipt of the December 28 message, and asked for a Credit Line Proposal ("CLP") to be forwarded to the Central Credit Committee. A credit line proposal was

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<sup>31</sup>The UCC filings were not made until May of 1984, five months after the loans.

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prepared for Miami Regional Office approval for each of these three loans, but none of them were ever sent to the Central Credit Committee, despite the fact that the loans had been made and the proceeds disbursed, and despite the fact that a second request for a CLP was made in February. Ex. 41. The originals CLP's remain in the files in Miami as Regional Office documents. Ex. 42.

The CLP's as prepared for each of the corporations are significant in two additional respects. First, they indicate that business received from Consolidated Trailer Corporation and Container International Transport for 1983 was US\$15 million each, and for the preceding year (1982) was US\$7 million. As far as we have been able to determine, these corporations did not even exist prior to November 1983, and therefore gave no business to BCC whatsoever in 1982 or 1983. Moreover, neither Bilbeisi nor any other of his corporations had done this volume of business with Boca Raton or Miami. In addition, the purpose of the loans are stated to be "working capital, assistance to meet short term requirements." As will be noted shortly, this is highly unlikely.

Apparently, when no credit line proposal was submitted to London, the Central Credit Committee presumed that the

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loan had not been disbursed, as had been promised in Rehman's telex of December 28. However, the existence of the loan was exposed in the course of a 1984 internal audit supervised by London, and this led to another telex to Rehman on January 8, 1985 (over one year after London's first request for a CLP on these loans). Ex. 43. That telex indicated that no CLP had ever been submitted on these loans, and asked for background information concerning them. This telex was apparently ignored, and London once again contacted Rehman on January 29, 1985 pointing out that it was still awaiting a reply concerning these loans. Ex. 44.

These documents were located in the files of the Central Credit Committee in London. No further documents concerning that loan appear in those files, and none of these telexes appear in any of the files maintained by the Boca Raton Agency or the Latin American Regional Office. Nor was Rehman's December 28, 1983 telex found in the Miami Regional files, indicating the strong possibility that these files may have been "altered." In this regard, Hamid Khan has told us that both A. R. Sakhia, the Latin American Regional Office Manager, and Hasan Parvez, the Miami Agency manager between 1984 and 1989, removed documents from letter of credit files.



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Khan did not identify any specific documents or files, and denied ever having done this himself. Ex. 12.

In sum, this loan was issued without the approval or knowledge of the Central Credit Committee, although the Central Credit Committee had been assured telephonically and by telex by M. U. Rehman that the loan funds would not be disbursed without such approval, and that the appropriate CLP would be forwarded. Mr. Rehman told us that he did this on the instructions of Regional Manager, A. R. Sakhia.

One of the documents contained in the Boca Raton Agency files include a pledge agreement signed by Bilbeisi and referencing this loan. Ex. 45. In that agreement, Bilbeisi promised to maintain "compensating balances" in unspecified other accounts in order to provide security for this loan. Curiously, this is not even mentioned in Rehman's December 28 telex to Mr. Sharwani, although in that telex Rehman did refer to "other considerations for allowing the above facilities" which had been mentioned in the telephone conversation but which were not specified in writing. When interviewed by us, Rehman had no recollection of what the "other considerations" may have been, and stated that they did not include the compensating balance agreement.

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The loan proceeds of US\$2.5 million which Rehman promised would not be disbursed were sent directly by BCC Boca Raton to BCC Miami. From Miami's internal IBF account these funds were forwarded to personal time deposit accounts in Bilbeisi's name at BCC Panama (in the amount of US\$1.5 million) and at BCC Nassau (in the amount of US\$956,250)- despite the CLP assertion that the funds were for corporate working capital purposes. Ex. 39. Each of these accounts was established without Account Opening Forms or signature cards on the same day that the loan proceeds were disbursed, December 23, 1984.

During 1984 the operation of the Nassau Agency was conducted under the management of Sâad Shafi at the offices of the Miami Agency itself. The account ledger card for Bilbeisi's personal account maintained in Panama and to which the US\$1.5 million in loan proceeds was disbursed contains a handwritten notation, "lien; not to be released without tested telex of BCC Boca Raton." Ex. 46. The manager of the Panama Agency at the time was Amjad Awan, who is now presently incarcerated after having been convicted on money laundering charges in Tampa, Florida. No similar restriction appeared in the Nassau documents maintained in Miami, despite

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the Bilbeisi Pledge Agreement to maintain "compensating balances" as security for the loan.

The Bilbeisi personal accounts at the Panama and Nassau Agencies remained open until May 25, 1984. During that five-month period, the account at the Panama Agency earned US\$72,875 in interest, and the account at the Nassau Agency earned US\$46,957 interest. Ex. 47. Both accounts were closed on the same day, and the proceeds transferred to a newly opened Munther Bilbeisi personal account at the Boca Raton Agency. Ex. 47. These funds were held in that account until August 1, 1984, when the funds were used to repay the loans for each corporation. Ex. 48. The Boca Raton Agency was subjected to an annual internal audit conducted in August or September 1984. The effective date of the audit was July 31, 1984, one day prior to the repayment of the loan. Since the loan was in fact repaid prior to the actual conduct of the audit, it was noted by the auditors but received only minor criticism with the suggestion that Central Credit Committee approval should have been secured. Ex. 49.

Finally, it should be noted that the method of the physical disbursement of the loan and the return of the funds to Boca Raton was done in an extremely unusual and confusing manner. Bank employees have advised us that it is improper

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to transfer loan proceeds from the account of one Agency to the account of another, as was done here, unless the purpose of the loan is to pay off another existing loan held by the second Agency. Since this was not the case, and since the effect of disbursing the loan in this manner made it extremely difficult to trace the funds, it is possible that this course of conduct was followed for that very purpose. Moreover, the movement of the money raises questions as to the reasons for having handled the transfers in this manner. Indeed, it can be alleged that the funds were moved from Miami to Panama and Nassau and then returned in order to make the tracking of the funds more complicated.

It is unclear what the real purpose of this loan was. Obviously, the loan was not issued for "working capital" for any of the named corporations. In fact, the money apparently remained in two personal accounts in Bilbeisi's name, until it was consolidated into another Bilbeisi personal account in Boca Raton and then ultimately used for repayment. The funds were never expended by Bilbeisi or his corporations for any purpose at all. There are two possible interpretations which can be drawn from this: first, the funds were used as collateral for Bilbeisi's financial transactions with other persons or financial institutions, even though they were

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supposedly pledged to BCC for the repayment of the loans; and second, the loans were used to create an "apparent source" of income for these three corporations to cover the influx of money laundered from some illegitimate source. In the second scenario, the books and records of the corporations would show total receipts of US\$2.5 million from BCC loans, when in fact money in that amount from other sources could have been funnelled into the corporations under the guise of the loans.<sup>32</sup>

**2. The Establishment of Bilbeisi's Credit Facility in Miami:**

In January, 1984, two credit line proposals ("CLP's") were prepared in Miami for Munther Bilbeisi and his companies separate and apart from the CLP prepared on the US\$2.5 million loan in Boca Raton one month before. The first CLP was dated January 20, 1984 and contained essentially accurate information. Ex. 50. The second, dated January 26, 1984, contained inaccurate information. Ex. 51. The second CLP was the one which was submitted to and ultimately approved by

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<sup>32</sup>In regard to the use of the funds as "collateral" for other business deals, see pp. 117-119. It is not known how Bilbeisi or the corporations handled interest earned or paid in their tax returns, but the potential for tax evasion is apparent, and with it the potential liability of the Bank in a "Klein Conspiracy."

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the Central Committee in London. We have been unable to determine who in the Bank actually prepared these CLP's.

The first CLP was prepared specifically for Orion Systems and Coffee, Inc. That CLP showed the address of these companies as Boca Raton, Florida, and described their business as "importation of coffee beans from Latin America; company incorporated in Panama." The borrower's background was accurately described by noting, "Mr. Bilbeisi ... is the beneficial owner of the company [and] has dealing with our Amman branch." It further reported that in the past Miami had opened letters of credit for these companies which were fully covered by various bank guarantees. Business received from the companies was also accurately reported as US\$810,000, which reflected the then-open letter of credit IMP 166/82 for coffee imports. The first CLP requested approval for a credit facility in the amount of US\$2.3 million, to be secured by a US\$1 million guarantee from BCC Amman and a US\$800,000 guarantee from the Arab Bank Limited. The purpose of the credit facility was reported as "importation of coffee from Latin American countries" and as "working

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capital needs." A copy of an audited balance sheet was noted as available for review.<sup>33</sup>

The second CLP is entirely different from the first and contains statements which the Miami Agency and the Latin American Regional Office should have known were inaccurate. The borrower is listed as "Mr. Bilbeisi and his Group Accounts," without any reference to specific companies. The location of these companies is listed as Miami, although both Bilbeisi and all of his companies were resident in Boca Raton, Florida.<sup>34</sup> The business is described as "real estate and import of Persian carpets," with all references to coffee importation (as reflected in the first CLP) having been removed. Bilbeisi's background is disingenuously described as being "general agent for import of Toyota motor cars in Jordan," a claim which could only have come from the Grushoff Statement of Assets and Liabilities, in which this business

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<sup>33</sup>This is presumably a reference to Ex. 1, Kenneth Grushoff's "Statement of Assets and Liabilities" dated December, 1983, although it is inaccurate to state that this was an "audited balance sheet."

<sup>34</sup>This is significant because at this time the Boca Raton Agency was open, and it would thus seem appropriate and normal for that Agency to be making the application for companies and individuals located within its area. A CLP submitted by Boca Raton, however, would almost necessarily have to reflect the existence of the earlier U.S.\$2.5 million loan, which was significantly excluded from both CLP's.

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was attributed to Ismail Bilbeisi & Co., not to Coffee, Inc., Orion or any Munther Bilbeisi entity. Aside from that Statement, there are no records at Miami, Boca Raton or the Latin American Regional Office which support this claim, and in fact the prior business dealing of the Miami Agency and the Regional Office with Bilbeisi completely contradict it.

In the second CLP, no mention whatever was made to the "audited balance sheets" referenced by the first CLP, or the availability of copies of those balance sheets.<sup>35</sup> The stated purpose of the CLP was also revised to exclude any mention of the import of coffee from Latin America. It reported the facility was for "working capital needs," thus implying the facility was for the purpose of promoting Bilbeisi's non-existent businesses of "real estate and the importation of Persian carpets."

The second CLP also increased the amount of the facility requested from US\$2.3 million to US\$2.5 million. It recited the same security as the first CLP (a US\$1 million

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<sup>35</sup>In fact, neither Bilbeisi nor any of his companies ever submitted financial statements to the Bank, despite repeated requests from London. On one occasion Engracia Estalella, in charge of the Credit Department in the Miami Agency, requested statements directly from Bilbeisi. Bilbeisi's outrage at this request resulted in its being withdrawn and earned for Ms. Estalella a rebuke from M. U. Rehman in the Regional Office's Credit Department.



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guarantee from BCC Amman and a US\$800,000 guarantee from the Arab Bank), but significantly noted that the Arab Bank guarantee was "to be increased to US\$1,500,000."<sup>36</sup> The second CLP deceptively noted that the past business received from Bilbeisi was US\$4,050,000 in 1983. This refers to letter of credit IMP 166/82, which was issued in that total amount but under which only US\$810,000 had been disbursed (as accurately reflected in the first CLP).

Finally, the second CLP reported that Bilbeisi's outstanding debt to BCC was US\$789,000 as of January 31, 1984. This completely ignored the US\$2.5 million loan to Bilbeisi and his companies issued by the Boca Raton Agency only one month before. In fact, Bilbeisi and his "Group Accounts" owed over US\$3.2 million to BCC as of January 31, 1984. Even more significantly, much of this debt was unsecured. While it is arguable that the Miami Agency, the originator of the second CLP, might be unaware of the Boca Raton loan, A. R. Sakhia, the Manager of the Regional Office and one of the loan negotiators, was fully aware of it.

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<sup>36</sup>This promised increase was not kept, and neither the Miami Agency nor the Regional Office pressed Bilbeisi on it. The \$700,000 shortfall in security continued for over thirty months, despite the fact that Bilbeisi and his companies were in an almost constant overdraft position for the next three years.

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Nevertheless, Sakhia allowed the second CLP to go forward to the Central Credit Committee in London without reference to this major debt, an action which is hardly surprising in view of his efforts to hide the loan from London management in the first place.

As noted, the first CLP which more or less accurately reported Bilbeisi's financial and business activities, was not forwarded to London. The second CLP was sent, and on February 22, 1984, it was approved by the Central Credit Committee.

Virtually all of the information contained in the second CLP is demonstrably inaccurate. Moreover, the Miami Agency and the Regional Office should have known this. Given Sakhia's direct involvement and control of the Agency and the Regional Office, it is clear that he was aware of both and involved in the preparation or review of the second.

The actual purpose of the second CLP, as demonstrated by the subsequent use of the credit facility, was to obtain credit of US\$2.5 million for Bilbeisi to use in funding letters of credit for the purchase of coffee in Central America through Coffee, Inc. and Orion Systems. The second CLP was crafted to avoid any mention of coffee importation or of Bilbeisi's existing debt to the Bank, however, because

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after the General Coffee/Duque fraud any such mention would clearly have raised concerns in London, concerns which would certainly have proved awkward for Sakhia, Hasan and Khan in Florida.

It must be kept in mind that much of the coffee sold by Bilbeisi in the United States in 1983 was to General Coffee or its affiliates, all controlled by Alberto Duque. The General Coffee/Alberto Duque fraud and the resultant US\$5 million loss to the Bank were fully known to both London as well as Sakhia and his operatives. Notifying the Central Credit Committee that the Miami Agency and the Latin American Regional Office were continuing to finance coffee importation under these circumstances, and with a company doing business with General Coffee, would most certainly have resulted in heightened scrutiny and supervision by London.

Ultimately, however, London did learn at least part of the truth. The June 29, 1984, internal audit of the Miami Agency and supervised by London revealed key facts about Bilbeisi and his business.<sup>37</sup> Ex. 52. This led to a letter from Saleem Siddiqi to Sakhia dated February 6, 1985 in which

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<sup>37</sup>The success of the deception practiced on London by the Miami Agency and the Regional Office is demonstrated by the inquiry contained in the audit, asking when Bilbeisi had switched from the real estate and Persian carpet business to the coffee business, and what experience Bilbeisi had in coffee.

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Siddiqi criticized Sakhia for failing to use reasonable caution with Bilbeisi's coffee business in light of the losses incurred by BCC in the General Coffee situation. Ex. 53. Siddiqi further criticized Sakhia for the manner in which Bilbeisi's credit facilities were being handled. His letter was basically ignored by Sakhia. When no answer was received, Imtiaz Ahmad wrote to Sakhia on February 15, 1985. Ex. 54. This time, Sakhia directed Rehman to answer the letter, and instructed Rehman what to say. Ex. 14. Rehman's response letter, dated March 27, 1985, addressed only the portion of Siddiqi's criticisms relating to the use of post-dated checks from Bilbeisi as collateral for letters of credit. Ex. 55.

For some unexplained reason, Mr. Siddiqi's February 6, 1985 letter is not contained in any of the files maintained by the Miami Agency or the Regional Office. It was only located upon examination of the Central Credit Committee files in London.

**3. May 1985 Bank Statement**

A review of the Miami Agency credit file on Munther Bilbeisi uncovered a Coral Gables Federal Savings & Loan Association of Boca Raton, Florida "Request for Verification of Deposit." Ex. 56. The form was prepared by Coral Gables

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Federal in an apparent response to Bilbeisi's application for a residential mortgage. The form was sent to the Boca Agency but requested current balances in the Miami Agency's accounts of Munther Bilbeisi and Coffee, Inc. The response, a copy of which was found in the Bilbeisi credit file, was signed by Nadim Hasan, Manager of the Boca Raton Agency, on May 20, 1985 and noted that Bilbeisi's personal and business accounts were in the seven figure range. The form did not reveal balances in Bilbeisi's account as requested but did contain a few sentences about the high regard the Boca Agency had for Bilbeisi as a customer.

Contained in Bilbeisi's monthly account statement file in Boca Raton was a false monthly account statement for his account at that Agency dated May, 1985. Ex. 57. This statement was obviously prepared on a typewriter and with a different print from that found on other monthly Bank statements issued by Boca Raton. This statement showed an ending balance in Bilbeisi's account of US\$2.5 million, an amount which is false. The actual ending balance in the account for May of 1985 was US\$90, as was shown on the authentic May, 1985 Bank statement contained in the same file. Ex. 58. The fraudulent statement claimed a deposit to the account of US\$2,582,207.80 on May 25, 1985.

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Interestingly, a deposit for this amount was made to this account exactly one year prior, i.e., the proceeds of the December, 1983 Boca Raton loan of US\$2.5 million on their way back from Panama and Nassau. Ex. 48.

We have not been able to determine the purpose of the false bank statement or why it is in Bilbeisi's Miami monthly statement file. Without confirmation from Coral Gables Federal Savings, it is not possible to determine if the "Request for Verification of Deposit" and the fraudulent bank statement were sent to that institution. The only clear fact is that an obviously fraudulent Bank statement was located in Bilbeisi's personal account file at the Miami Agency.

**H. BILBEISI'S NASSAU AGENCY ACCOUNTS:**

Munther Bilbeisi came to the Miami Agency on September 18, 1984, and explained to Bank officers that his wife was about to sue him for divorce and that she might attempt to seize the balances in his corporate accounts. Ex. 13; Ex. 59. It has been verified through public record searches that Bilbeisi's wife filed for divorce just prior to his visit to the Miami Agency. Bilbeisi stated that he wished to avoid having his accounts attached or seized, and issued a series of oral instructions for that purpose. As a result of those instructions, a series of transactions occurred which

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effectively emptied Bilbeisi's Miami Agency corporate accounts and successfully hid those funds.<sup>38</sup> Each of these transfers was made from the Miami Agency to newly opened accounts at the Nassau Agency, which was then physically located in the same office as the Miami Agency.

First, on September 19, 1984, a wire transfer of US\$600,000 was made by Bilbeisi from the Coffee, Inc. account at Atlantic Bank to the Orion Systems account at the Miami Agency. Those funds, however, were never deposited into the Orion account in Miami. Instead, without any written documentation, the Miami Agency transferred those funds to a new Orion account opened that same day at the Nassau Agency. Although the Nassau Agency was physically located in the Miami office, the absence of any documentation concerning the transfer of the US\$600,000 to the Nassau books would have made it virtually impossible to trace. Ex. 60.

Second, at the time Coffee, Inc. had an outstanding letter of credit (IMP 179/84) at the Miami Agency for which a margin account of US\$1,027,004 had been established. This margin account was closed with a transfer of the entire amount to a new margin account, again located at the Nassau

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<sup>38</sup>Bilbeisi's personal account at the time was in an overdraft status of over US\$50,000, and thus no transfer from that account was necessary.

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Agency and again in the name of Orion Systems. According to our sources, this transfer was shown on Coffee, Inc.'s books as payment for coffee purchases. If this is in fact the case (we have not gained access to those corporate books), then the entries are false, because within one month the entire amount was retransferred back to Miami and deposited into the Coffee, Inc. account. Ex. 61.

Third, another transfer of US\$20,891.44 was made from the Coffee, Inc. account at Miami, thus reducing its balance to zero. These funds were also transferred to a new Coffee, Inc. account, also at the Nassau Agency. Ex. 62.

There are no written instructions for these transfers from Bilbeisi, and we have been unable to locate any Account Opening Forms or signature cards were prepared.<sup>39</sup>

It is not known to whom Bilbeisi issued his oral instructions for these transfers. Several Miami Agency employees, however, have reported that they were done at his specific oral instructions because of his marital problems, although they do not know to whom the instructions were

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<sup>39</sup>Bilbeisi, in a sworn deposition given in civil litigation with Lloyds of London, denied that he, Coffee, Inc. or Orion held any accounts at the Nassau Agency. When confronted with records of these accounts, he accused BCC of having made these transfers for its own purposes and without authority from him and threatened to sue the Bank. Ex. 3.



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given. It seems clear, however, that at least three persons had to have been involved in these actions and communicated with Bilbeisi. These are: Regional Manager A. R. Sakhia, who governed the Miami Agency and who, according to Miami Agency employees, was directly involved in all of its transactions, especially those relating to Bilbeisi; Hamid Khan, who was in charge of the Bilbeisi letters of credit and related margin accounts, and who therefore must have been aware of the transfer of at least the Coffee, Inc. margin account; and Saad Shafi, who was the manager of the Nassau Agency and in direct charge of its few accounts.<sup>40</sup>

Within a month, Bilbeisi had reconciled with his wife and the threat of attachment or seizure of his accounts had passed.<sup>41</sup> Accordingly, each of these transfers to the Nassau Agency was reversed by October 21, 1984. Ex. 60; Ex. 61; Ex. 62. Unlike the earlier transfers to Nassau, however, there is clear documentation in the Miami files signed by Khan and Shafi, among others for each of these transfers back to Miami. The retransfer of the US\$600,000 in the Nassau/Orion

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<sup>40</sup>A. R. Sakhia, Hamid Khan and Saad Shafi have declined to discuss this and other matters with us and thus have provided no explanation of these transfers.

<sup>41</sup>The divorce petition was not dismissed by Bilbeisi's wife until January, 1985, however.

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account to the Miami/Coffee, Inc. account is worth brief mention, however, because it is typical of how Bilbeisi's letters of credit and margin accounts were handled.

During October, 1984, Bilbeisi opened an additional letter of credit (IMP 212/84) for Coffee, Inc. with the Miami Agency. The face value of this letter was US\$440,836.20, and as collateral, the funds in the Orion account at Nassau were pledged. By letter dated September 27, 1984, Grace Perez, Hamid Khan's assistant in the Letter of Credit Department, and Hamid Khan himself notified Saad Shafi to hold the face value of this letter of credit, US\$440,836.20, in the Orion account. Ex. 63. However, four days later, on October 1, 1984, US\$500,000 was transferred out of the Orion account in Nassau, Ex. 60, to Coffee, Inc. in Miami, apparently to cover two Coffee, Inc. checks which had been presented there.<sup>42</sup> This left an insufficient amount in the Orion Systems Nassau account to cover letter of credit IMP 212/84.<sup>43</sup> Subsequently, when that letter of credit was

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<sup>42</sup>Bilbeisi had issued two checks from the Miami Coffee, Inc. account to Pacit, S.A., for US\$244,040 and US\$186,168.89 which were converted to cashier's checks. According to our sources, Pacit, S.A. is a company connected with Gerardo Harris, a confidant of Manuel Noriega. Ex. 64.

<sup>43</sup>Hamid Khan handwrote on a letter dated October 1, 1984, that he had been instructed to release the collateral in the Nassau account on the instructions of the Miami Credit

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presented at the Miami Agency for payment in the amount of US\$404,133.21, there were no funds in the Coffee, Inc. account or any of its margin accounts to meet it. As a result, the Miami Agency was forced to advance this amount itself on behalf of Coffee, Inc., without any loan documentation or security. Instead, a loan account had to be established for Coffee, Inc. to cover this advance, despite lack of collateral and numerous overdrafts, and this loan was only established two weeks after the initial disbursement.

**Ex. 66.**

As noted, Bilbeisi has denied that he authorized any of these transfers or that these accounts were established by him or even with his knowledge. Bilbeisi has even claimed that the Miami Agency "stole" the US\$600,000 from him (the wire transfers from Coffee, Inc. at Atlantic Bank to Orion at the Miami Agency), although bank documents clearly show otherwise. There is some peripheral documentation which supports the statements of the Miami Agency employees that

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Department. He explained further that the collateral for the letter of credit was fully covered by the various bank guarantees issued for Coffee, Inc. Khan failed to mention, however, that the bank guarantees securing the Coffee, Inc. letters of credit were already entirely used as collateral on other letters of credit and overdrafts. **Ex. 65.**

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these transfers were made on Bilbeisi's instruction, but none of them are Bank documents. Ex. 67.

(I) Bilbeisi's Letters of Credit

(1) Introduction:

Between December, 1982, and February, 1986, the Miami Agency issued twenty-seven letters of credit, five in the name of Orion Systems (Panama) S.A., and twenty-two in the name of Coffee, Inc. The total face value of all of these letters of credit exceeded US\$79 million. However, only US\$9 million in disbursements were made, and almost all of these disbursements were made on just the first ten letters. All of the others, with a face value of over US\$65.5 million, were cancelled, without ever being drawn on, although Bilbeisi paid over US\$43,000 in opening fees for them. Of the actual disbursements on the first ten letters of credit, US\$8.5 million was paid out between January 1983 and June 1984. Of that amount, US\$4 million was paid to one beneficiary, Financiera Del Atlantico, a company with alleged connections to Manuel Noriega. Only US\$500,000 was paid out after June, 1984, although Bilbeisi caused the Miami Agency to issue seventeen more letters of credit between June 1984 and February 1986, with a face value of US\$65.5 million. See App. 2.

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Throughout this period various employees of the Miami Agency and the Regional Office were directly involved in almost every letter of credit. With the exception of Nasim Farooqi and K.G.S. Jhala, who were transferred shortly after issuing the first letter of credit to Orion, the same Bank personnel - A. R. Sakhia, S.U. Sakrani, M. U. Rehman, Hamid Khan and Grace Perez - each played a continuing role in issuing and administering these letters of credit. Each letter of credit required the advance approval of Sakhia upon the recommendation of Sakrani and Rehman, and with the exception of the first, each was prepared and serviced by Khan with the assistance of his subordinate, Grace Perez. Many of these letters of credit were opened with overdrafts and without margin accounts and were serviced without regard for substantial procedural and documentary discrepancies. Many of them were opened without a sufficient approved credit line, were closed with loans to Bilbeisi to cover shortfalls, and created substantial exposure well above Bilbeisi's bank guarantees.

In order to evaluate the procedures followed by the employees of the Miami Agency - and particularly by Sakhia and Khan -- a brief review of commonly followed letter of credit procedures as set forth in International Chamber of

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Commerce Publication #400, "Uniform Customs and Practice for Documentary Credits" and the Bank's own standard operating procedures written by Hamid Khan is appropriate.<sup>44</sup>

**(2) Standard Letter of Credit Practices & Procedures:**

A letter of credit is an instrument issued by a bank on behalf of a customer authorizing a named beneficiary to draw upon funds which will be honored by the bank if drawn strictly in accordance with the terms and conditions specified in the letter of credit. This provides assurance to the beneficiary (exporter) that after shipping his goods, payments will be made provided that the stipulated conditions are complied with. Similarly, it assures the opener (importer) that the beneficiary will only be paid upon actual receipt of the goods in the U. S. and strict compliance with the stipulated conditions. By issuing a letter of credit, a bank essentially guarantees the transaction between the opener and the beneficiary. Inasmuch as it is a distinct and separate transaction from any contract between the opener and the beneficiary, the letter of credit deals only in

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<sup>44</sup>In his initial interview with us prior to his refusal to further cooperate, H. Khan described letter of credit procedures which "should" be followed and which were closely similar to the ICC practices. In fact, Mr. Khan stated that in preparing the Bank's written letter of credit procedures he relied heavily on ICC Publication #400. Ex. 12.

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documents, not merchandise, and in doing so it substitutes a bank's credit for that of the opener.

Two of the primary concerns of a bank issuing a letter of credit are to insure its own security and to protect itself against fraud. In this regard, the issuing bank should:

1) Adequately insure the opener's ability to pay when documents are presented, or else be prepared to refinance the merchandise without any unnecessary exposure. A margin account should be opened at the time of issuance so as to preclude unnecessary exposure to the Bank.<sup>45</sup>

2) Verify the identity and financial integrity of the beneficiary. It should be determined if the opener and beneficiary are in any way affiliated with each other in order to preclude potential fraud;

3) Know the terms and conditions of the underlying contract so that there will be conformity with the letter of

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<sup>45</sup>A "margin account" is generally an account held and controlled by the Bank and containing some or all of the funds to be disbursed under a particular letter of credit. For example, if a letter of credit for \$1 million is issued with a 50% margin requirement, the customer must provide the Bank with \$500,000. These funds are placed in a "margin account" which is to be used exclusively for payment of the letter of credit. In this way, the Bank secures its position to the extent of the amount of margin required.

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credit. Documents required in the contract should also be included with all documents required in the letter of credit;

4) Ascertain that all stipulated documents (Certificates of Origin, Quality, Quantity, Sanitary Inspections, Quota, ICO Stamps, Bills of Lading, etc.) satisfy the legal requirements of both the importing and exporting countries respectively involved in the transaction;

5) Secure a valid insurance policy or certificate assigned to the bank to cover the value of the merchandise. This should be required even if the letter of credit is issued against 100% cash collateral so as to protect the bank in any eventuality;

6) Secure consignment rights to both the insurance proceeds and the goods themselves. Consignment is particularly appropriate in international transactions if the letter of credit is not fully collateralized by cash and/or secured by a sanctioned line of credit.<sup>46</sup>

After the issuance of a letter of credit, amendments requested by the opener must be in writing. Irrevocable letters of credit, like all those opened for Bilbeisi,

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<sup>46</sup>With the bank designated as consignee, the carrier may only release the merchandise to the opener after being so authorized by the bank upon presentation of a properly endorsed bill of lading.



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further require that before any amendment can become operative it must first be approved by all parties in writing. Requests for amendments should therefore be considered with care and in the context of risk, liability, compliance with existing trade requirements, and conformity with the contents of ICC Publication #400.

In similar fashion, all importation documents should likewise be scrutinized prior to negotiating payment to a beneficiary and releasing merchandise to the opener. All documents must be presented and examined as to contents, completeness and conformity with the terms, conditions and any properly approved amendments to the letter of credit. Again, this examination should place particular emphasis on compliance with existing import/export regulations and restrictions promulgated by the respective countries involved in the transaction. Certificates of origin, quality, quantity, sanitary inspections and ICO stamps must be issued by the appropriate authorities, and contain information completely consistent with all other data set forth on shipping documents. Bills of lading must also be reviewed for consistency, with particular concern for the presence of original signatures, counter-confirming signatures, date stamps and properly notated "On Board" markings that would

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collectively corroborate the actual, authorized movement of the merchandise.

Documents having omissions, inconsistencies, or otherwise found not to be in order should delay any payment to a beneficiary and the release of the merchandise to the opener. Such defects, or discrepancies, are generally considered unacceptable either by the bank and/or opener, because they usually indicate non-conformity with the original contract and the terms of the letter of credit. Certain discrepancies that should be of particular concern relate to certificates of quantity, quality and origin, and to bills of lading. Missing, incomplete or inaccurate certificates indicate potentially serious problems with the transaction and must be identified and corrected prior to payment. In addition, bills of lading not appropriately marked "On Board", or not properly dated and endorsed by the carrier's representative, or bills of lading reflecting incorrect or inconsistent information concerning merchandise marking, lot identification, and invoice numbers are discrepancies, which, by their very nature, cannot go unnoticed by the bank without leading to potential liability to the opener, the beneficiary and the bank itself.

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As stated earlier, documentation discrepancies delay the process of payment to a beneficiary and should prevent the release of merchandise to the opener. These situations can be resolved with the bank's approval as follows:

1) The beneficiary can request immediate payment against its own guarantee that would protect the bank from financial loss by making payment despite discrepancies.<sup>47</sup>

2) Independently, or at the request of the beneficiary, the opener can authorize payment despite documentation defects by effecting a waiver of discrepancies. Such a waiver of discrepancies must be in writing and approved by all parties before payment is authorized.

Upon the presentation of the required documents to the bank, a PAD account (Pay Against Documents) is created. This account is an internal control device which indicates that the negotiable documents have been presented to the bank and that payment to the beneficiary will be made upon the approval by all parties of those documents. As long as the PAD account is open the negotiable documents remain in the

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<sup>47</sup>This type of waiver is generally not in the best interest of the beneficiary or the bank, because under the guarantee, payments must be refunded to the bank upon demand and thus the bank is secure only to the extent of the validity of the guarantee, a lesson the Miami Agency should have learned with Duque.

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custody of the bank and are not released to the opener or to the shipper until approved.

Upon approval of the documents, payment is made to the beneficiary by the bank, with the opener's appropriate demand account, loan account or margin account being debited to cover these funds. The documents are then sent to the opener for the release of the goods from the ship or from the shipper's warehouse, and for their processing through U. S. Customs.

Until such time as the opener makes payment or appropriate loan arrangements on any outstanding advances (e.g., that portion of the bank's payment to the beneficiary not collateralized with cash in a margin account), the shipping documents should not be released and the goods will thus continue to be held by the shipper (with the bank secured as consignee), in a bonded warehouse controlled by U. S. Customs. If the opener is unable to pay, an LTR (Letter of Trust Receipt) loan must be approved and opened before the negotiable documents can be released. Upon approval, the credit department should endorse the negotiable documents and close the PAD Account with the proceeds from the LTR loan.<sup>48</sup>

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<sup>48</sup>It should be noted that this procedure never was followed in any of the Bilbeisi transactions, and in all cases in which Bilbeisi lacked the funds to pay the Bank,

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As can be expected, on occasion negotiable documents may not be available to the bank to permit appropriate negotiation and timely release of merchandise by a carrier. In such cases, the goods can be released with an indemnification from the bank known as a Shipping Guarantee. This can be a risky accommodation for the bank unless certain precautions are taken. In effect the bank takes on a separate and distinct liability of covering for the absence of documentation. Financially, carriers can demand unlimited indemnities. Moreover, the U. S. Customs Service, depending on the merchandise involved, can require a minimum of 100% of the applicable duty and up to five times the value of the merchandise to cover any fines and penalties that could be assessed. Prior to issuing any kind of indemnification the bank should:

- 1) secure secondary (non-negotiable) copies of all sales invoices, certifications, bills of lading and other transportation documents;

- 2) secure the additional required cash collateral and/or reduce the opener's sanctioned line of credit accordingly. This amount should be over and above any

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negotiable documents were released to him anyway with PAD accounts still open and LTR's yet to be created.

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liabilities already outstanding under a letter of credit if so applicable;

3) secure a signed Letter of Indemnity from the opener in favor of the bank. This in effect is a counter-guarantee by the opener that indemnifies the bank for any losses incurred;

4) ensure that the aforementioned documents are precisely referenced in the indemnity and attached thereto when the opener formally acknowledges their receipt for presentation to the carrier. All this data must be consistent with the contents of the original letter of credit; and

5) maintain the financial restrictions placed upon the opener until such time as the original documents are presented and the indemnification can be recalled. In situations in which original documents are believed to be missing or lost, this information should be set forth with an expiration date cited on the Letter of Indemnity. A one-year limitation for the production of duplicate documentation is generally considered acceptable.

With regard to U.S. Customs Service requirements, regulations provide that any import into the U. S., whether duty free or not, must be declared, cleared and released from

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the U. S. Customs Service designated bonded storage facilities before entering the United States. Imports awaiting transshipment through the U. S. to a foreign destination must also be declared and must remain in U. S. Customs' custody in a bonded warehouse while awaiting further shipment. Any request to subsequently import such merchandise into the U. S. requires the filing of a new set of declaration documents for clearance under the same conditions as if originally declared for import into the United States. This requires the presentation of all original shipping documents together with the new set of declaration documents (invoices, certifications of original, quality, quantity, ICO/quota stamps, bills of lading, vessel manifest, discharge papers, and bonded storage records, etc.) prior to clearance and release of the merchandise by U. S. Customs'. Coffee importations, which were subjected to international quota restrictions until February 1985, also required ICO (International Coffee Organization) documentation as a prerequisite for clearance through U. S. Customs in addition to other documentary requirements.

Finally, U. S. Customs will not release coffee without the shipment having been certified by the Food and Drug Administration (FDA) as acceptable for consumption in the

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United States. This requirement is still enforced by the U. S. Customs Service, even though coffee quota restrictions have been removed.

3. General Coffee Letters of Credit:

Prior to issuing letters of credit to Bilbeisi's companies, the Miami Agency had financed similar coffee imports for General Coffee with similar letters of credit. Between November 1982 and March 1983 six Miami Agency letters of credit were issued for General Coffee through K.G.S. Jhala. The total face value of these letters was approximately US\$12 million. As a result, the Bank was defrauded of US\$5 million.

The explanation of how the Miami Agency fell victim to the General Coffee fraud becomes apparent from an analysis of its letters of credit, all of which were opened and closed within the brief four month period preceding its May, 1983 bankruptcy.

General Coffee had a line of credit of US\$5 million which was secured by personal guarantees of Alberto Duque and by corporate guarantees from one of Duque's companies. Ex. 68. These personal guarantees proved to be worthless. Likewise, efforts to secure the coffee as collateral also failed to offset the Bank's loss because the coffee either



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did not exist or had already been released to buyers. Moreover, the Miami Agency had neglected to have itself named as consignee of the coffee and thereby provide itself a security interest in the commodity.<sup>49</sup>

Duque had apparently caused the Bank to issue payments on the letters of credit based upon forged documents which contained numerous discrepancies. Ex. 30. These discrepancies ought to have served as a warning, but Duque consistently waived them and so they were disregarded by the Agency. Moreover, the Agency never confirmed any waivers with the beneficiaries, nor did it ever attempt to conduct any background or financial checks of the beneficiaries. Either action may have forewarned the Agency of the fraudulent nature of General Coffee's operation.

To add to this risk, margin accounts had not been established to secure payments and minimize the Bank's exposure.

The above condition was further compounded by the Agency's practice of continually granting credit facilities to cover letter of credit payments despite constant General

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<sup>49</sup>This serious oversight had been identified by employees at the Miami Agency on Duque's first letter of credit, but for unknown reasons was never corrected in the subsequent letters.

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Coffee overdrafts. This was done by keeping established PAD accounts continuously open and unpaid for General Coffee, accounts which were then allowed to pyramid until they ultimately became one continuous, revolving loan with a constant exposure of close to US\$5 million. Under these conditions, every General Coffee letter of credit payment was made with unsecured Bank funds. The Miami Agency used its own money for Duque's letters of credit, and accepted his personal guarantees as security for each of them.

**(4) Letters of Credit Issued and Used by Bilbeisi:**

Just as General Coffee went into bankruptcy, Bilbeisi began his own coffee import operations. Rather than tightening procedures to avoid phantom coffee imports, forged shipping documents and inadequate security, the Miami Agency and the Regional Office provided to Bilbeisi, Orion and Coffee, Inc. most of the same accommodations it had provided to General Coffee.<sup>50</sup> The only differences were that the Bank

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<sup>50</sup>These accounts had been opened by Enrique Olavarria, a former employee of City National Bank of Miami, which was owned by Alberto Duque. Olavarria's cousins are Carlos and Jose Luis Castro, the same individuals who operated the law firm of Castro & Castro. This firm was providing simultaneous legal services to the Miami Agency, Bilbeisi and Duque. These legal services included the formation of the three corporations which received the \$2.5 million Boca Raton loan as well as assistance in drafting the loan documents themselves. Jose Luis Castro and Duque were both convicted of fraud in connection with the operation of General Coffee.

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was a consignee of the Bilbeisi coffee and that Bilbeisi had posted bank guarantees instead of personal guarantees - but even these were frequently inadequate and left the Bank with substantial exposure.

Like Duque, Bilbeisi began purchasing coffee from Central and South American vendors via letters of credit. On December 23, 1982 Bilbeisi's first letter of credit was opened in the name of Orion Systems, S.A. On the same day, Duque had several PAD accounts outstanding in the amount of over US\$4.8 million. The first Bilbeisi letter of credit (IMP-166/82), for over US\$4 million, was opened without establishing any margin account and without any authorized credit facility, and was secured only by an Arab Bank guarantee of US\$800,000. Even the opening fees of US\$15,000 were paid for by the Miami Agency by opening and immediately debiting the Orion Systems account.<sup>51</sup>

By May 18, 1983, the day on which General Coffee filed bankruptcy, Bilbeisi's first letter of credit (IMP166-82) already had open PAD accounts for over US\$1.6 million, had created a potential exposure of over US\$800,000 above the Arab Bank guarantee, and had caused repeated instances in

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Ex. 69.

<sup>51</sup>See p. 39.

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which Bilbeisi's personal and corporate accounts were in an overdraft status.

At this point, in May 1983, Hamid Khan took over the Letter of Credit Department in the Miami Agency. Khan continued the established practice of not doing any check on the beneficiaries; of not securing assignment of insurance proceeds or even checking to see if goods were insured; of accepting shipping documents replete with missing, incomplete and erroneous information; of waiving all such discrepancies at the opener's direction; of paying beneficiaries inadequately secured with BCC funds; and of opening PAD accounts to permit the release of merchandise to Bilbeisi without payment from him, thereby facilitating the opening of his next letter of credit.

On September 13, 1983, Khan, with Sakhia's approval, opened a second letter of credit with a face value of US\$810,000 for Bilbeisi in the name of Coffee Inc. See App. 2. As before with General Coffee and with the first Orion letter of credit, the Miami Agency opened this without a margin account, continued to use Bank funds to pay for it, and relied solely on bank guarantees which up to December

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1983 were insufficient and created exposure for the Bank of between US\$700,000 and US\$1,300,000.<sup>52</sup>

In the months between December 1983 and July 1984 (during the life of the Boca Raton secret loan of US\$2.5 million), Khan, with Sakhia's continuing approval and with assistance from Sakrani, Rehman and others, opened nine more letters of credit in the name of Coffee Inc. Total face value of these letters of credit exceeded US\$13 million. See App. 2. During this same time the Duque/General Coffee criminal investigation was proceeding, and this investigation directly involved the Miami Agency as one of the defrauded parties. The method of Duque's fraud and his misuse of the Miami Agency's letters of credit was thus well known to all of the key Miami employees. Ex. 29. Having been defrauded for US\$5 million by abuse of letters of credit, an appropriate reaction would have been to prevent a recurrence. A heightened sense of diligence concerning funding, margins, background checks, insurance, shipping documentation, credit sanctions and guarantees within the overall context of limiting potential exposure was called for. For all nine of

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<sup>52</sup>This exposure does not include the \$2.5 million Boca Raton loan which was outstanding at this time.

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these letters of credit, through which virtually all of the total payments were made, this did not occur.

The first four letters of credit issued in 1984 (IMP-104/84, 105/84, 106/84 and 107/84), with a total face value of more than US\$4 million, See App. 2, were opened without any margin accounts; no background checks of the beneficiaries were conducted; no insurance was confirmed or assigned; all payments on them totalling over US\$1.7 million were made with BCC funds; PAD Accounts were allowed to remain open in an equal amount so as to release coffee to Bilbeisi without him having to use his own money; and then loans were issued in order to allow the Agency to close the letters of credit. In addition, each of these letters of credit (and, indeed, all of Bilbeisi's letters of credit on which disbursements were made) involved serious discrepancies in the negotiable documents. These discrepancies included, in almost every instance, missing or improper certifications of quantity, quality, origin and sanitation, and improperly prepared bills of lading, a number of which lacked original signatures and "On Board" stamps.

These four letters of credit were opened at a time when Bilbeisi's accounts reflected overdrafts in excess of US\$300,000, see App. 4, and thus total potential exposure to

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the Bank was over US\$1.5 million, over and above the existing bank guarantees of US\$1.8 million from the Arab Bank and from BCC Amman, and did not include the US\$2.5 million loan that had been extended to Bilbeisi by Hasan and Sakhia through the Boca Raton Agency in December 1983.

After closing out these four letters of credit with outstanding loans (LTR's) of over of US\$1.7 million, another letter of credit (IMP-140/84) was opened for Coffee Inc. for the face amount of US\$2,608,740. See App. 2. By this time -- April, 1984 -- Bilbeisi's accounts had a net positive position of slightly more than US\$37,000. See App. 4. Then, with loans (LTR's) outstanding in excess of US\$1.7 million against guarantees of US\$1.8 million, and with no margin account having been established, Khan arranged for the issuance of this letter of credit with a face amount of US\$2.6 million and for the payment of over US\$900,000 for the first coffee shipment. This was done despite major discrepancies in the shipping documents. Bilbeisi waived those discrepancies, however, admitting that he was already in possession of the coffee.<sup>53</sup> Ex. 70. Two subsequent

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<sup>53</sup>This receipt of the goods without the possession or presentation of the original shipping documents is a virtual admission that the coffee had been smuggled off the ship and into the U.S.

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payments totaling over US\$1.7 million were also made by Khan under this letter of credit, thereby increasing the Bank's exposure of over US\$2.6 million.<sup>54</sup> These payments were eventually covered by post-dated Coffee, Inc./Atlantic Bank checks credited to Bilbeisi's account. Ex. 71. Sakhia personally approved the acceptance of these post-dated checks.

Throughout these transactions, the Bank also had a constant exposure of US\$2.5 million (the Boca Raton loan) over and above any other exposure not secured by the aforementioned bank guarantees.

Prior to closing the above letter of credit, two of the four remaining letters of credit opened between January and July 1984 also had funds disbursed to beneficiaries. Two others were cancelled without payments, one of them without any explanation.

Regarding those with payments to beneficiaries, both (IMP-160/84 and 161/84) were opened with a total face value of US\$2,046,000 on June 8, 1984 with Sakhia's approval. See App. 2. At that time, there were loans (LTRs) still outstanding in excess of US\$1.7 million which were offset by

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<sup>54</sup>These payments along with those made under IMP 105/84, 106/4 and 107/84, are extremely suspicious and may be connected to Manuel Noriega. See pp. 110, et. seq.



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US\$1.8 million in guarantees. To fund these letters of credit, Bilbeisi - on the day before they were opened - gave directly to Sakhia a series of postdated checks drawn on the Coffee, Inc. account at Atlantic Bank and based upon anticipated sales collections. Ex. 72. These checks were collectable during the period of June 12 through July 13, 1984 and totaled US\$2,150,000. As each became collectable, the funds were credited to Coffee Inc.'s demand account which had already been placed in an overdraft position in excess of US\$2.6 million so as to create margin accounts for these letters of credit.<sup>55</sup> In essence, these post-dated checks were partially paying off margin accounts that had been established for Bilbeisi with Bank funds. At the same time the US\$2.5 million Boca Raton loan was still outstanding.

On July 24, 1984, with Bilbeisi corporate and personal accounts reflecting overdrafts in excess of US\$546,781, loans (LTRs) outstanding in excess of US\$1.4 million, and the Boca Raton loan of US\$2.5 million, Khan opened letter of credit IMP-179/84 for Coffee Inc. in the amount of US\$3,639,972. See App. 2. Again, post-dated checks totaling more than

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<sup>55</sup>Margin accounts were now required due to criticism contained in an internal audit conducted in June 1984. Ex. 52. Yet a large portion of these margin accounts were created by overdrafts in the Coffee, Inc. account. See, e.g., App. 4, July 26, 1984.

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US\$800,000 and dated between July 23 and 27, 1984, were used as credit assets. A margin account which had been opened for a previous letter of credit (IMP-165/84, which had been cancelled without disbursements) was used to provide the margin for this letter of credit. Totalling US\$1,027,004, that margin was initially established by creating an overdraft status in Bilbeisi accounts in excess of US\$2 million.<sup>56</sup> By the time it was rolled-over, all the post-

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<sup>56</sup>These margin account funds were never used because this letter of credit (IMP-179/84) was eventually cancelled on October 24, 1984 without any payments to the beneficiaries. However, what did happen with this margin between July 24 and October 24, 1984 is of interest. Briefly and according to limited documentation in the files, this margin, opened in the name of Coffee Inc. and specifically established for IMP-179/84, was transferred on September 19, 1984 out of the Miami Agency and placed in the Nassau Agency in a margin account for Orion Systems. These funds remained in this account (the Nassau Agency at this time was still physically located in the Miami Agency) until Khan requested it be returned on October 24, 1984. On that date the transfer was made, the funds were again placed back in the original Coffee Inc. margin account, and the letter of credit was cancelled with the funds returned to the Coffee Inc. demand account. The file provides no explanation or documentation as to why or on what authority it was done. See pp. 51-52. Regardless of the answers to these questions, the reality simply stated is that a margin was transferred offshore and recreated under a new identity. It was then reversed back through the internal accounts of BCC. Khan, who was responsible for this and aware of it, himself characterized this type of action as completely improper. Ex. 12. Since he refused to discuss this specific letter of credit or margin account with us, however, the contradiction between his actions and his words remains unresolved.

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dated checks, with a value in excess of US\$3 million, had been collected, and the margin account of US\$1,027,004 was fully funded by Bilbeisi.

In September 1984, another letter of credit (IMP-212/84) was opened for Coffee Inc. in the amount of US\$440,333. See App. 2. This was secured by Bilbeisi's various bank guarantees. Although it was opened in Miami, for unexplained reasons a margin of 100% was required to be held in Nassau. According to a Khan notation in the file, however, no margin was ever opened either in Miami or Nassau because Nassau failed to follow Miami's instructions. This had occurred because Khan had used the Nassau margin to offset overdrafts in Bilbeisi's Miami accounts. Thus, when the Miami Agency went to the Nassau margin account to make the payout on this letter of credit there were insufficient funds available. Once again, the Agency used its own funds to pay for a letter of credit and then had to cover this by arranging another (fifth) loan (LTR) to close out this letter of credit. Again, the Bank had purchased coffee for Bilbeisi and permitted him to pay it back via a loan which was well beyond any credit limit authorized by the Central Credit Committee in London.

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This letter of credit was the last time any funds were disbursed to letter of credit beneficiaries in 1984.

(5) Letters of Credit Issued and Not Used by Bilbeisi:

From June 1984 through February 1986 less than US\$500,000 was disbursed in connection with the last sixteen letters of credit issued during this time frame, although their face value totaled more than US\$65.5 million. See App. 2. Virtually all of these sixteen letters of credit were opened and then closed by Bilbeisi without any disbursements having been made. Only one disbursement of US\$90,000 on IMP 126/85 was made in all of 1985. Nevertheless, Bilbeisi paid the Miami Agency over US\$43,000 in opening fees for letters of credit he never used. At about the same time, however, Bilbeisi began the issuance of hundreds of cashier's checks from the Miami and Boca Raton Agencies, and these checks were allegedly for the purchase of coffee and the payment of commissions. The last sixteen letters of credit, then, appear to have served only one purpose: their issuance gave Bilbeisi and his agents ostensibly legitimate status as coffee purchasers in Central America. The Guatemalan and Honduran consuls in Miami have confirmed that no non-residents are not allowed to enter those nations and engage in coffee purchasing without

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actually possessing a letter of credit. This is a matter of foreign exchange and export controls for each country. Thus Bilbeisi and his agents gained entry to those countries, purchased coffee, cancelled the letters of credit, smuggled the coffee out and made private, surreptitious payments to the sellers with the Bank's cashier's checks as well as bribes to certain individuals to facilitate this process.

**(6) Findings:**

Concerning all of the twenty-seven letters of credit issued for Orion Systems and Coffee Inc. between 1982 and 1986, certain observations regarding documentation and the movement of the merchandise can be made.

First, in considering the letters of credit collectively, it appears that they were used by Bilbeisi as an essential device in his smuggling scheme: they enabled him to finance his initial coffee purchases while he was associated with Calderon, Otano, Villalba and Gerardo Harris. Once that relationship ended he relied almost exclusively on cashier's checks for his coffee purchases while simultaneously continuing to open and cancel letters of credit. These letters gave him an aura of credibility as a legitimate coffee buyer in Central America.

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Second, to perpetrate the smuggling scheme, the shipping documents, the certifications of origin, quality, quantity and sanitation, and the bills of lading and the declarations of final destination had to be misleading or falsified. For all the letters of credit issued for Bilbeisi, these documents were, without exception, furnished to the Miami Agency with multiple discrepancies, which were always waived by Bilbeisi. These discrepancies, together with the falsified declarations of destination, were the necessary product of a successful smuggling operation. The silent acceptance of these discrepancies by the Miami Agency and the Regional Office was essential.

On more than one occasion Bilbeisi advised Khan that he was waiving discrepancies because the coffee was already in his (Bilbeisi's) warehouse. Ex. 70. Although imported goods are not normally released by the shipper until payment is made, and payment is normally not made until the bills of lading and other required documents are presented to the Bank, the early release of the coffee to Bilbeisi without payment or proper documentation apparently raised no questions at the Miami Agency. Similarly, the issue of how the coffee could have been released and processed through Customs without the presentation of essential shipping

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documents was not raised either. The coffee could only be transferred from the ship or from the Customs bonded facility to Bilbeisi's warehouse either by the issuance of a Shipping Guarantee to the shipper or by an unauthorized release by the shipper and after illegally circumventing the U.S. Customs Service. On only two occasions, however, were Shipping Guarantees issued, and these involved the only instances in which the coffee was shipped by a carrier other than the CCT shipping line. Neither Hamid Khan nor any other Bank officer ever inquired into those situations. They simply followed Bilbeisi's instructions.

Third, for virtually every letter of credit, the port of destination for the coffee was listed as either Aqaba, Jordan or Latakia, Syria. See App. 2. In no instance, however, is there any indication that the coffee ultimately went there. Instead, the indications in the files clearly show that the coffee was sold in the United States, largely to Chase & Sanborn or Chock Full O'Nuts. In only two shipments - one on IMP 140/84 and one on IMP 160/84 - was coffee shown as destined for the U.S. In both cases, the original port of destination was amended from Aqaba to Miami immediately before the arrival of the coffee. This involved two shipments of coffee which were the only ones not shipped

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on CCT. In addition, these were the only shipments in which release of the coffee to Bilbeisi's warehouse was not permitted without either the posting of a Shipping Guarantee or the presentation of valid shipping documents.<sup>57</sup>

The circumstances surrounding the issuance of the two Shipping Guarantees are indicative of Khan's, Rehman's and Sakhia's knowledge of U.S. Customs regulations and their silent acquiescence with Bilbeisi's smuggling scheme. For undetermined reasons, one of the coffee shipments to the U.S. under IMP 140/84 was transported on the Concorde Line instead of on CCT. Apparently, Concorde had no part in Bilbeisi's smuggling operation, and refused to release the coffee upon its arrival in Miami without either the presentation of correct documents or a Shipping Guarantee.

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<sup>57</sup>A January 22, 1985 memorandum from Grace Perez to the letter of credit department deserves mention in regard to the destination of the coffee. This memo recited instructions issued by A. R. Sakhia directly to Ms. Perez (apparently ignoring the Agency manager, Hassan Parvez, in the process). This memo stated that in the future for Bilbeisi's letters of credit:

- 1) All transactions were to be made in the name of Orion Systems (Panama), not Coffee Inc.;
- 2) All transactions were to be fully collateralized under bank guarantees or cash collateral; and
- 3) Destination of the coffee was not to be shown if the destination is not the United States. (emphasis added). None of these curious instructions were followed by Agency personnel. Ex. 73.



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The unexpected and first time arrival of a Bilbeisi coffee shipment aboard a Concorde Line rather than CCT vessel caused problems at the Letter of Credit Department at the Miami Agency.

Apparently, as far as the Concorde Line was concerned, the coffee was being transshipped through Miami to Aqaba, Jordan. Accordingly, it would not release the coffee to Bilbeisi in Miami without corrected shipping documents showing Miami as the port of destination. Because of this, Bilbeisi, in a letter dated June 7, 1984, requested Khan that IMP 140/84 be amended to show Miami as the port of destination rather than Aqaba, Jordan, the originally declared port of destination. Ex. 74.

The Concorde situation tended to show in documents held by the Bank what Khan, Rehman and Sakhia must have already known--that the true destination of all previous shipments was really the U.S. rather than Bilbeisi's false declarations. Putting the true destination in writing directly confronted Khan, Rehman and Sakhia with U.S. Quota and FDA inspection requirements. Previously, as long as they had been able to pretend that the coffee was being transhipped through the U.S., they had been able to "legitimately" close their eyes to U.S. Government regula-

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tions and to Bilbeisi's smuggling of coffee into the U. S. in violation of those regulations. Now, however, with a new shipping line involved in Bilbeisi's smuggling operation, and with seriously defective negotiable documents, the goods could only be released from Concorde Line by a Shipping Guarantee issued and approved by the Bank itself. Issuing the necessary guarantee would have directly involved Khan, Rehman and Sakhia in the release of uninspected coffee violating the U.S. quota. Thus, it was necessary for them to find a new justification for their continuing wilful blindness.

Khan and Grace Perez, his assistant, accomplished this with several telephone calls.

First, Khan telephoned his "counterparts in other New York banks." They assured him that it was not a bank's duty to monitor quotas, but instead was the job of U.S. Customs. Khan noted this on Bilbeisi's letter of amendment. Ex. 74.

Meanwhile, Perez contacted the Council of International Banking, which confirmed that it is the importer's responsibility to monitor quotas and comply with U.S. Customs laws, not the Bank's. Perez noted this on Bilbeisi's letter of amendment. Ex. 74.

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Based upon these "opinions," M. U. Rehman directed that the necessary Shipping Guarantee be issued. Ex. 74. Then, Bilbeisi issued a counter-guarantee indemnifying the Bank on the Shipping Guarantee. In his indemnity, however, Bilbeisi stated that it was being issued because original shipping documents "had not arrived," and made no reference to the change of ports. Ex. 75. The Shipping Guarantee, which Khan prepared, used the same explanation.

Fourth, applications for letters of credit were filed and the letters themselves were opened without any background check regarding the identity or financial integrity of the letter of credit beneficiary.<sup>58</sup> Proof of insurance and assignments of insurance proceeds were never secured, and the underlying sales contracts relating to the letters of credit were never obtained.

Fifth, amendments to the letters of credit were repeatedly requested and automatically accepted by Khan and his superiors at Bilbeisi's request, and almost always without written approval by beneficiaries. These amendments consistently called for the deletion of requirements for certifications of origin, quantity, quality and sanitary

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<sup>58</sup>This is hardly surprising, considering the dubious background and connections of one of the chief beneficiaries, Financiera Del Atlantico. See pp. 110-111.

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inspection, and also made significant changes on crucial shipping documents.

Sixth, all of the files on open letters of credit which were either closed or cancelled with or without payments never contained confirmation that the designated beneficiaries had even received the original letter of credit, or in fact had subsequently approved the cancellation of the letter of credit.

Set forth earlier in this report is a description of the proper procedures involved in the processing and handling of letters of credit. This is based upon the ICC Publication 400 as well as BCC's own Operational Manual on letters of credit which Hamid Khan himself had written. In addition, that section addressed the various financial and documentary controls necessary to the proper administration of an international letter of credit, as well as the need for diligence on the part of the issuing bank. All of this care and diligence is necessary because letters of credit are easily and frequently abused for the purpose of committing fraud.<sup>59</sup> Bilbeisi's letters of credit were repeatedly

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<sup>59</sup>See Letter of Credit: Fraud, Prevention and Detection, Bank Administration Institute, 1989, p. 9: "When issuing or confirming a letter of credit, the bank's exposure to fraud is greatest when discrepant documents are not caught when examined." (emphasis in original.) Ex. 135.

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opened, administered, paid and closed with an almost total disregard for these procedural and documentary requirements. The lack of care and diligence in the opening and administration of each one of Bilbeisi's letters of credit is so frequent and consistent as to arguably appear to be a purposeful attempt to assist Bilbeisi in the success of his smuggling operation.

**(7) Mura International Helicopter Deal:**

By the end of 1986 Bilbeisi's coffee business for all practical purposes had come to an end. During 1987 his accounts with BCC were once again in a constant overdraft status, and the Bank -- reminiscent of Alberto Duque -- had to look to guarantees to collect Bilbeisi's outstanding debts. This time, however, the guarantees were from banks, not from the opener personally, and the Miami Agency successfully collected US\$3.5 million in 1988, albeit almost two years after the overdraft debts were amassed. Ex. 76. The guarantees were insufficient, however, and as of April, 1988, Coffee, Inc. still owed BCC approximately US\$400,000 in interest on past indebtedness.

It was under these circumstances, with the Bank still trying to collect this money, that Bilbeisi once again approached the Miami Agency in the summer of 1988 to assist

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in financing yet another international transaction. This assistance involved a contract which had been made by another Bilbeisi company, Mura International, Inc., for the sale of three helicopters by Mura International to the Republic of Guatemala for US\$5.1 million.<sup>60</sup> Hamid Khan and Grace Perez again became involved with Bilbeisi in this transaction.<sup>61</sup>

The helicopter sales contract identified BCC as the issuing bank of a Stand-By Letter of Credit (STB) to be opened by Mura International with the Republic of Guatemala as beneficiary, in the amount of ten percent of the contract value of US\$5,175,000. These funds, US\$517,500, would be payable to Guatemala in the event Mura International failed to deliver the helicopters as per the terms of the contract.

The financing of the helicopter sale to Guatemala was done through a letter of credit issued for the Republic of Guatemala by the Bank of Guatemala. Mura International, the seller of the helicopters, was the beneficiary. The Capital

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<sup>60</sup>These helicopters were ostensibly to be used for medical evacuation only. However, they were constructed in such a way as to be easily transformed into helicopter gunships and have thus led to claims that Bilbeisi was an arms dealer. Ex. 3.

<sup>61</sup>At this time, Khan had been transferred from the Letter of Credit Department to the Regional Office, Corresponding Banking Unit. It is unknown why Khan became involved in this one letter of credit for Bilbeisi when it was no longer his job.

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Bank in Miami, which also serviced Bilbeisi accounts, was the confirming bank and the source of the funds for this transaction through an arrangement with the Bank of Guatemala.

With Khan's advice and participation, Ex. 77, Bilbeisi succeeded in having the Guatemalan letter of credit amended by deleting the requirement of the STB to be issued by the Miami Agency as a performance bond. In lieu of the STB, and with Khan's assistance, Bilbeisi persuaded Guatemalan officials to agree to withholding up to US\$517,500 from their payments to Mura International under the Guatemalan letter of credit until Bilbeisi satisfactorily performed by delivering the three helicopters. Simply stated, Khan helped Bilbeisi to eliminate the need to advance funds he did not have but which would have been required to secure the STB, and enabled him instead to have the Guatemalan government use its own money for his performance bond. All this was accomplished with Khan's advice and guidance.<sup>62</sup>

Simultaneously, Bilbeisi negotiated to purchase the three helicopters from the Jordanian Air Force for US\$2.1

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<sup>62</sup>While there is certainly nothing improper in these activities, they do underscore the relationship between Khan and Bilbeisi in which Khan has been described by Hassan Parvez as Bilbeisi's business "advisor." Ex. 13.

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million. Meanwhile, Bilbeisi, despite his precarious financial position with the Miami Agency, also sought a commitment from the Miami Agency to open a letter of credit for Mura International, Inc. in favor of the Jordanian Air Force in the amount of US\$2.1 million in order to finance its purchase of the helicopters from Jordan.<sup>63</sup>

In sum, then, Bilbeisi through his company, Mura International, was purchasing the three helicopters from Jordan for US\$2.1 million. Bilbeisi had tried and failed to get the Miami Agency to fund this purchase, and it is unknown how the purchase was financed. At the same time, however, through Mura International, he was selling the same three helicopters to Guatemala for US\$5.1 million, thus grossing a US\$3 million profit if the deal were completed. The Guatemalan government financed the purchase of the helicopters from Mura International through Capital Bank and the Bank of Guatemala letter of credit, and without any performance bond being posted by Bilbeisi.

The curious aspect of this arrangement is why the Guatemalan and Jordanian governments allowed Bilbeisi to

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<sup>63</sup>This letter of credit was not issued and it is unknown how Bilbeisi financed this transaction. Significantly, by this time A. R. Sakhia had been replaced as Regional Manager by Bande Hasan.



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structure this deal and act as a middle man for such an enormous personal profit, instead of dealing directly with each other -- something which would clearly have been to their mutual advantage. One possible answer may lie with the various special assignments of the Capital Bank letter of credit proceeds made by Bilbeisi.

There were three such assignments. The first was in the amount of US\$837,500 to the Miami Agency. Ex. 78. The second was to Grindlay's Bank on the Isle of Jersey, in the amount of US\$257,500 for credit to a numbered account, and the third was to Cartray, Ltd. at the Credit Suisse Bank in Luxembourg for US\$260,250.

The Miami Agency assignment of US\$837,500 was further assigned by Bilbeisi in five parts: US\$400,000 to the Miami Agency<sup>64</sup>; US\$17,500 to Jose Francisco Valdes for Spanish translating services; US\$75,000 for commissions to Mauricio Coronado; US\$75,000 for commissions to Louis Altemar; and US\$270,000 to the Bank Leumi. Ex. 79. After receiving these funds, the Miami Agency transferred the US\$270,000 to the

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<sup>64</sup>The Bank used this money to repay the interest still due on prior loans. When the deal was closed and the assignments made, the Miami Agency applied this money to Bilbeisi's remaining debt. Bilbeisi claimed that this was not the purpose of the assignment and sued the Bank for that amount. That litigation was tentatively settled on November 20, 1990, for a payment of US\$75,000 by the Bank to Coffee, Inc.

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Bank Leumi for further credit to a numbered account. Ex. 80. Mauricio Coronado, one of Bilbeisi's agents in this deal, has claimed in a recent interview with Bank attorneys that this numbered account at Bank Leumi was held by high-ranking Guatemalan government officials. In short, the US\$270,000 was for bribe or kickback payments by Bilbeisi to Guatemalan or Jordanian government officers.

These suspicions have been confirmed by Hassan Parvez, the manager of the Miami Agency at the time, who has told us of conversations he had with Bilbeisi in which Bilbeisi admitted paying bribes from the Capital Bank assignments to Jordanian and Guatemalan officials. Ex. 13. If in fact payments were made by Bilbeisi to Jordanian and Guatemalan government officers, it would explain why those governments did not deal with each other directly -- a middleman such as Bilbeisi would be necessary to successfully hide the bribe payments. It would also explain why the governments were willing to allow Bilbeisi to make such an enormous personal profit -- their own negotiators were dealing from individual, not national self-interest.

In effect, then, Bilbeisi used the Miami Agency to assist in restructuring his business arrangement in terms most favorable to him, and then apparently used that Agency

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to handle the initial portions of his bribery payments to Guatemala.

J. Connections Between Bilbeisi and Manuel Noriega

In January, 1984 three letters of credit were opened by Bilbeisi through Coffee Inc. at the Miami Agency (IMP 105/84, 106/84 and 107/84) with a face amount of US\$3.4 million. In April, 1984 another letter of credit (IMP 140/84) was opened for Coffee Inc. at the Miami Agency with a face amount of US\$2.7 million. See App. 2. These four letters of credit at Miami were unique and deserve special mention because they directly involved the BCC Panama Agency in their administration, and because of the ultimate destinations of the funds.<sup>65</sup>

(1) Letter of Credit Payment to Noriega Associates

The stated purpose of the letters of credit was the purchase of coffee from a Costa Rican company, Financiera Del Atlantico S.A., the named beneficiary. This company opened a demand deposit account at the BCC Panama Agency on March 7,

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<sup>65</sup>The manager of the Panama Agency at the time was Amjad Awan, and the officer overseeing the letters of credit was Mr. Singh, with the assistance of Ms. Nancy Grimas. The three letters of credit initiated in January, 1984 are referred to in the Panama Agency records as a single letter of credit, IMP 107/84.

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1984.<sup>66</sup> Ex. 81. Our sources have reported that a business associate and front person for Financiera Del Atlantico S.A. was Gerardo Harris. Harris is the former Panamanian Vice Minister of Treasury and a confidant of Manuel Noriega. Unconfirmed allegations from U.S. Government sources allege that Harris is involved in narcotics trafficking and money laundering. In addition, Harris is reportedly a close associate of Carlos Duque of Transit S.A. who ran the Colon Free Zone for Noriega, extracting "commissions" for Noriega in the form of fees for coffee shipments and other commodities. Harris is currently a prominent businessman in the Colon Free Zone.

In March, 1984 BCC Panama sent the shipping documents to BCC Miami indicating a total due of US\$1,055,700.00 and instructing the release of the documents to Coffee Inc. only against payment by that company of the letter of credit. On April 2, 1984 Bilbeisi authorized Hamid Khan to pay the beneficiary an additional US\$700,000 (for a total of

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<sup>66</sup>Five days prior (March 2, 1984) to the opening of the Financiera Del Atlantico account at the Panama Agency, Bilbeisi wire transferred US\$248,710.00 to the Colon Agency for the benefit of "Victor Overseas, S.A." The Colon Agency issued a manager's check for this amount to Victor Overseas, S.A. and that check was deposited at Banco de Iberoamerica, S.A. in Colon to the account of Pacit, S.A. Beneath the company endorsement is the signature of Gerardo Harris. Ex. 82.

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US\$1,755,700.00), stating that this amount of coffee had already been received and was in Bilbeisi's warehouse.. Ex. 70. In addition, Bilbeisi waived a number of serious discrepancies in those documents.<sup>67</sup> Despite a shortage of sufficient collateral and no margin accounts, Khan advised Panama to disburse US\$1.7 million to the beneficiary because Bilbeisi had waived the discrepancies. Subsequently, the Miami Agency opened a loan (LTR) for Coffee, Inc. -- still without sufficient collateral or margin -- and then telexed US\$1.7 million to Panama to reimburse that Agency. This was approximately one-half of the face value of letters of credit IMP 105/84, 106/84 and 107/84.

On April 9, 1984 Bilbeisi issued a letter to Hamid Khan instructing him not to continue the three letters of credit for payment of further coffee shipments. Ex. 83. Khan then sent an "Urgent Telex" to the Panama Agency on April 12, 1984 requesting that the beneficiary (Financiera Del Atlantico S.A.) be notified of these instructions and give its concurrence. Ex. 84. On April 11 and 12, 1984 Bilbeisi wire transferred from the Coffee Inc. account at Miami US\$208,038.60 and US\$356,290.00 for the benefit of Gerardo

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<sup>67</sup>The discrepancies included the lack of quantity and quality certificates, no "On Board" stamp on the bill of lading and contradictions in the harvest year of the coffee.

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Harris at BCC Colon.<sup>68</sup> Ex. 85. The funds were to be disbursed to Harris only upon approval of Joseph Villalba, Bilbeisi's associate in the smuggling operation. Villalba was at BCC Colon on these dates and authorized the release of the funds. Villalba himself also received a US\$5,000.00 wire transfer from Coffee Inc. on April 12, 1984. Later, on May 15, 1984 Bilbeisi wire transferred an additional US\$6,514.00 from the Coffee, Inc. account directly into an account maintained by Harris at the Colon Agency.

An irrevocable letter of credit theoretically cannot be cancelled after issuance and prior to expiration without the written concurrence of the beneficiary. Otherwise, the issuing bank may be liable for the unfunded portion of the letter if the beneficiary demands payment. No documentation, however, was found at the Panama or Miami Agencies showing the beneficiary, Financiera Del Atlantico, S.A., had concurred with the cancellation. It is possible that the lack of cancellation documents from the beneficiary did not concern Hamid Khan at the Miami Agency because he knew Bilbeisi had already wire transferred over US\$800,000 to Gerardo Harris, the real beneficiary of these letters of

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<sup>68</sup>Records were requested from BCC Colon as to what Harris did with these funds but they were not provided.

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credit, on March 2 and April 11-12, 1984.<sup>69</sup> The face amount of the three cancelled LC's (105/84, 106/84 and 107/84) was US\$3.4 million. Total payments to Harris and directly to Financiera Del Atlantico during the term of these letters of credit were US\$2,550,252.60.<sup>70</sup> If one considers the simultaneous payments of US\$900,000 made by Bilbeisi to Calderon, Otano and Villalba (the initial deposits in their corporate Swiss Cottage accounts), then the total expenditures made by him in April and May, 1984, is approximately US\$3.4 million -- the face amount of the three letters of credit. Possibly, Bilbeisi's business required the posting of a form of guarantee of payment in that amount, and the letter of credit fulfilled that purpose.

On May 25, 1984 Bilbeisi began to authorize payment on shipments received on letter of credit IMP 140/84. This

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<sup>69</sup>The amount consists of the wire transfers to Victor Overseas/Pacit S.A. (see n.66) for US\$248,710; the wire transfers to Colon for Harris in the amount of US\$208,038 and US\$356,290 and the transfer to Harris of US\$6,514.

<sup>70</sup>This amount includes the US\$1.7 million wire transferred under the letters of credit and the US\$819,552 wire transferred to Harris or related companies. There were no additional payments uncovered from Bilbeisi or his related companies to Financiera Del Atlantico or Gerardo Harris during the term of these letters of credit. The Miami Agency still had a potential exposure in excess of US\$849,000.00, due to lack of any agreement by Financiera Del Atlantico, S.A. to their cancellation.

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letter of credit was similar to the prior three in that the beneficiary was Financiera Del Atlantico and significant discrepancies in the shipments were again waived by Bilbeisi. In addition, Bilbeisi acknowledged receipt of the coffee in his Miami warehouse prior to the receipt or approval of the shipping documents by the Bank. Ex. 70. There were three payments on this letter of credit which were authorized by Bilbeisi in this way. These payments totaled US\$2.7 million which was the total face value of IMP 140/84.

An analysis of the payments on the four letters of credit reveal that the named beneficiary (Financiera Del Atlantico) directly received only about ten percent (10%) of the proceeds (US\$168,030) from letters of credit 105/84, 106/84 and 107/84, and only about thirty percent of the proceeds (US\$764,224.30) from letter of credit 140/84.<sup>71</sup> Moreover, the total of funds going to Financiera's account was US\$932,254.30. However, immediate withdrawals for the benefit of third parties totaled US\$778,830.00. These withdrawals were:

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<sup>71</sup>Ms. Nancy Grimas, currently an employee at the Colon Agency and an administrator of the letters of credit, stated the percentage of the proceeds deposited by Financiera Del Atlantico, S.A. was too large to indicate the beneficiary was strictly operating in the capacity of a broker receiving commission payments.



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April 4, 1984 Managers check to Deutsch Bank for US\$150,000.00 with the notation "For account of Coffee International Trading Company;

May 25, 1984 Wire transfer to Harris Bank in Chicago for US\$228,830.00 to the benefit of Refco, Inc.

June 7, 1984 Managers check payable to the Union Bank of Switzerland for US\$220,000.00 with the notation Financiera Del Atlantico;

June 19, 1984 Managers check payable to Deutsch Bank for US\$200,000.00 with the notation Coffee International Trading, S.A. Ex. 86.

It is of importance to note that BCC as well as the Deutsch Bank and Union Bank of Switzerland were used by Manuel Noriega for his personal funds. In addition, Refco, Inc. is a large commodity trading firm with offices in Chicago and London. In 1984 and 1985 Rudolfo Ospina and Mauricio Lehrer rented office space at the Miami office of Refco, Inc. Both of them have since been convicted of Federal money laundering in Miami for their business activities while operating from the Refco offices. Accounts opened by them at Refco were used to launder drug profits.

In sum, only a small portion of the total payments made on these four letters of credit were actually made to the named beneficiary, Financiera Del Atlantico. Moreover, almost all of those payments were immediately transferred on the day they were made from Financiera's account at BCC

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Panama to other banks or companies associated with Noriega or with money laundering.

As for the remaining payments on these four letters of credit, fully ninety percent of total payments on IMP 105/, 106 and 107/84, and seventy percent of total payments on IMP 140/84, were made to a company never identified as a beneficiary. These payments, totaling over US\$3.4 million, were made to Standard Chartered Bank in New York for the account of Banco Promotor Del Comercio Latino-Americano, where they were apparently held for further credit to the account of "Coffee International Trading." Ex. 87. Banco Promotor is located in Panama, and it appears that this circular transfer, authorized by "Coffee International Trading," was done to launder the money issued from these four BCC letters of credit.

The business address contained in the Panama Agency's records for Financiera Del Atlantico is the same address in Costa Rica as the address given for "Coffee International Trading, S.A." In addition, U.S. Government sources report that "Coffee International Trading S.A." is connected to John Cogswell, a marketing functionary for the BCC Panama Agency. John Cogswell is the person who opened the "Coffee International Trading" account at the Panama Agency, was a

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financial advisor to Manuel Noriega and has been identified as a money launderer for Noriega by the U. S. Justice Department.<sup>72</sup>

These factors suggest the strong possibility that the Panama Agency was used as an advising bank in these letters of credit to control and conceal the disbursements of proceeds and protect them from detection by U. S. law enforcement. Clearly, these transfers all could have been done by the Miami Agency itself.

**(b) The Boca Raton Loan/Panama Connection:**

We can find no plausible reason for Bilbeisi to have moved US\$1.5 million in proceeds from the Boca Raton loan to the Bilbeisi Panama time deposit unless those proceeds have a connection with the payments to Harris and other Noriega associates. Both the letters of credit and the Bilbeisi Panama account were opened within a few weeks of each other, between December, 1983 and January, 1984. Then, after the April and May payments to Financiera Del Atlantico and Gerardo Harris, Bilbeisi's Panama account was closed (May 24)

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<sup>72</sup>In addition, the Justice Department has claimed that Noriega maintained an account in the name "Zorro" at the BCC Panama Agency. Cogswell is reported to be the authorized signatory on that account.

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and the funds transferred to a Bilbeisi account in Boca Raton for ultimate repayment of the loan on August 1.

No legitimate business or economic purpose has been established for the Boca Raton loan or for Bilbeisi's Panama account containing the proceeds of that loan. The funds were transferred to and from Panama through unusual and covert procedures. The manager of the Panama Agency, Amjad Awan, is alleged by the U. S. government to have been the "personal banker" for Manuel Noriega. The actual recipients of the letters of credit funds and of Bilbeisi's direct payments all had alleged connections to Noriega. An inference can thus be made that the Bilbeisi time deposit was actually used as "security" or "collateral" required of Bilbeisi to conduct business in Panama with the Noriega-related entities and individuals. Once Bilbeisi established his reliability by payment on two groups of letters of credit and wire transfers to Gerardo Harris, Bilbeisi was free to return the US\$1.5 million loan to his Boca Raton account. This inference is strengthened by the fact that this is the first known business conducted by Bilbeisi in Panama.

**K. Bilbeisi's Cashier's Check Activity**

From mid-1983 through early 1987, Bilbeisi, directly or through his agents or companies, caused 264 cashier's checks

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to be issued by the Miami and Boca Raton Agencies totaling in excess of US\$10.1 million.<sup>73</sup> See Annex 6. The annual breakdown of the cashier's checks issued, by year, is as follows:

<u>YEAR</u>	<u>NUMBER OF CHECKS</u>	<u>AMOUNT</u>
1983	22	US\$1,359,588.46
1984	40	2,466,577.07
1985	45	1,182,099.00
1986	138	5,296,859.00
1987	<u>21</u>	<u>271,023.33</u>
	266	US\$10,576,146.86

The majority of the checks and the instructions for their issuance created the appearance that they were issued for the purchase of coffee or for expenses associated with those purchases. Ex. 88. The checks were issued upon the orders of Hamid Khan, Hassan Parvez or Nadim Hasan, each of whom did so upon the oral or written instructions of Bilbeisi.

In 1983 and 1984, Bilbeisi had used letters of credit for his alleged coffee transactions. At least some of the cashier's checks issued during those years were payments to

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<sup>73</sup>This amount includes cashier's checks drawn by or for Bilbeisi's benefit through the "cash local" accounts at the Boca Raton Agency.

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his smuggling partners, Calderon, Otano and Villalba, or are alleged to be kickbacks to Bilbeisi himself.

For example, on June 4, 1984, four cashier's checks were issued to "Rafael Garcia," three of them for US\$9,000 each and one for US\$3,000. Ex. 89. On June 19th, a like amount of cashier's checks were again issued to "Raphael Garcia." Raphael Garcia was only a name used by Bilbeisi for kickbacks to himself. Ex. 90. Jay Anthony Aramburo, a member of the smuggling scheme, has stated that "Raphael Garcia" checks were routinely sent to him by Bilbeisi. He said that he endorsed them in the name "Raphael Garcia" and returned them to Bilbeisi.<sup>74</sup> Ex. 6.

During 1985, Bilbeisi stopped using letters of credit for his alleged coffee purchases and began using cashier's checks with greater frequency. Although the reason for this change in practice is not known, two distinct possibilities exist. First, internal bank audits continued to ask embarrassing questions regarding the financing of the letters of credit; and, second, with the issuance of cashier's checks less people would be involved in the

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<sup>74</sup>Although Aramburo says he returned these checks to Bilbeisi after endorsing them, each of them was cashed at American Bank and Trust in New Orleans, where Aramburo -- not Bilbeisi -- lived and worked.

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handling and processing of the checks as opposed to the letters of credit.

Several other examples of Bilbeisi cashier's checks are typical of the hundreds issued throughout the four-year period. On July 9, 1985 five cashier's checks totaling US\$144,000 were issued and made payable to Nora Dubon, four of them for US\$27,500 and one for US\$34,000. Nora Dubon was the wife of Carlos Dubon, a coffee "broker" in Honduras who was introduced to Bilbeisi through their mutual friend, Gerardo Harris, and who was involved in smuggling coffee out of Honduras. Ex. 91.

On November 27, 1985, thirteen cashier's checks were issued to Louis Altemar, three for US\$45,000 each, six for US\$36,000 each, three for US\$12,000 each, and one for US\$9,000, for a combined total of US\$396,000. Three of these checks totaling US\$108,000 and allegedly to be used for coffee purchases were deposited back into the Coffee Inc. account. Ex. 92.

On January 10, 1986, thirteen cashier's checks were issued and made payable to Altemar for US\$242,500. Twelve of them were for US\$20,000 each and the remaining one was for US\$22,500. As had occurred during 1985, five of the checks totaling US\$120,000 were deposited back into the Coffee Inc.

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account, although all of them were supposedly for coffee purchases by Coffee, Inc. Ex. 93.

On March 3rd, thirty-one checks totaling US\$765,000 were issued and made payable to Altemar, thirty for US\$25,000 each and one for US\$15,000. Ex. 94. Ten of these checks, totaling US\$250,000 were not used for coffee purchases, but instead were used to re-issue four new cashier's checks on March 11th in the amounts of US\$212,750, US\$20,250, US\$10,000 and US\$7,000. Ex. 95. The check for US\$212,750 was deposited into the Coffee Inc. account after an attempt was allegedly made to stop payment on it, and the checks for US\$20,250 and US\$7,000 were deposited into Bilbeisi's personal account at the Atlantic Bank.<sup>75</sup> In addition, the original endorsement on the check by Altemar had been scratched out. Stamped on the back of the check was the notation "NOT USED FOR PURPOSES INTENDED." The check bears the endorsement of Munther Bilbeisi and Miami Coffee, Inc. account number 01006613.

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<sup>75</sup>The face of the US \$212,750 check bears the following handprinted notations: "NO GOOD," "CANSEL AVOID," and "CANSEL." [sic] The back of the check contained the notations: "NO GOOD," "AVOID" and "AVOID." In his claim of loss filed with Lloyds of London, Bilbeisi claimed that all of the March 3, 1986 cashier's checks were spent in purchasing coffee. This is a demonstrable lie, as the Exhibit 95 cashier's checks show.



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On March 28th, April 2nd and April 10th, a total of thirty-five more cashier's checks were issued and made payable to Arnaldo Esquivel totaling US\$872,500. Esquivel was another coffee "broker" working for Bilbeisi and involved in smuggling coffee out of Honduras and Guatemala. Thirty-four of the checks were issued in the amount of US\$25,000 each. Ex. 96. Comparable "structuring" occurred on six other dates in 1986 covering thirty-seven cashier's checks with a value in excess of US\$1,799,000.

Bilbeisi stopped using letters of credit in mid-1984, although as noted earlier he caused the Miami Agency to issue sixteen more through 1985 which were all cancelled. Clearly by mid-1985, he was using the cashier's checks to pay for coffee and for commissions allegedly due on those purchases instead of using the letters of credit. Many of the cashier's checks were delivered by Bilbeisi to his "brokers" in the United States, and others were delivered in Guatemala and Honduras. In either case, however, the reason for their issuance and delivery appears clear: the cashier's checks enabled him to pay for coffee and commissions, as well as to pay the bribes and kickbacks necessary to the successful operation of his smuggling operation in Central America, with

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a secrecy and flexibility greater than that provided by letters of credit.

For example, the numerous cashier's checks issued to Louis Altemar were, according to Altemar, delivered by him to various coffee dealers, commission agents and government officials. Armed with twenty or thirty cashier's checks in amounts of up to US\$25,000 each and of unquestionable validity, Altemar was able to make numerous payments as required by whatever circumstances in which he found himself.

In addition, the cashier's checks permitted the recipients to receive payments directly without having to go through the formal banking channels which a letter of credit would otherwise have required. Cashier's checks could easily be physically transported by the payees to any bank in the world for deposit, without leaving any paper trail in financial institutions located in Guatemala or Honduras. In this way the payees would be able to avoid their own government's exchange controls and income taxes.

Moreover, the cashier's checks freed Bilbeisi from the need to acquire shipping documents, bills of lading and other documents normally required with international letters of credit prior to the issuance of payments. Use of cashier's

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checks must have streamlined Bilbeisi's smuggling operation enormously.

That the cashier's checks were actually used in the manner described by Altemar is confirmed by the endorsements on many of the cashier's checks payable and delivered to him, in that they bear the endorsements not only of Altemar but also of various other Hispanic individuals, some of whom we have been able to identify as coffee brokers in Guatemala and Honduras. In addition, these forms of payment, and the use of some of the cashier's checks as bribes and kickbacks, have also been confirmed by other recipients of the cashier's checks.<sup>76</sup>

There is no direct evidence that any Bank officer or employee was aware of these purposes for the cashier's

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<sup>76</sup>Some of the cashier's checks were purchased by Coffee, Inc. checks drawn on its Atlantic Bank account, instead of directly through the Coffee, Inc. account at BCC. For example, in June 1984 Bilbeisi purchased four cashier's checks payable to "Raphael Garcia," three for \$9,000 each and one for \$3,000. The Boca Raton Agency debited the Atlantic Bank account directly for further debit to Coffee, Inc. This occurred again in July 1984, with the purchase of three more "Raphael Garcia" cashier's checks for \$15,000, \$5,000 and \$4,000 each. Since the Coffee, Inc. checks were payable to "BCCI," they could have been carried on Coffee, Inc.'s books for a number of different deductible, facially valid business expenses, even though according to Jay Anthony Aramburo, these "Raphael Garcia" checks were endorsed by him and delivered either in cash or endorsed checks directly back to Bilbeisi himself.

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checks. On the other hand, no Bank officer or employee ever questioned their issuance any more than they questioned the issuance of the seventeen unused letters of credit. Questions may have been appropriate, given the unique, and indeed strange, circumstances surrounding the letters of credit and the checks themselves.

**L. Bilbeisi's Cash Activity**

Bilbeisi was allowed to make substantial cash withdrawals from his personal and corporate accounts at the Miami and Boca Raton Agencies in such a manner as to leave very little documentary evidence to connect him with the transactions. This was done in several ways.

**(a) The "Cash Local" Account:**

The Miami and Boca Raton Agencies maintained a supply of cash on hand and accounted for it by means of its "cash local" account. When additional currency was needed at the Agencies, a cashiers check would be issued to one of the employees, who would take it to the Atlantic Bank in Boca Raton (that Agency's depository bank) or to the Pan American Bank in Miami (the depository Bank for the Miami Agency)

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where it would be cashed.<sup>77</sup> The cash would then be brought back to an officer at the Agency for disbursement. Ex. 97.

On at least three occasions, Bilbeisi withdrew cash from his corporate accounts in Boca Raton by use of this "cash local" account.<sup>78</sup>

The procedure in Boca Raton worked as follows: cashier's checks were issued payable to Marcelle Walters, an Agency employee. She took these checks to the Atlantic Bank, cashed them and returned the money to the Agency Manager, Nadim Hasan. This cash was then delivered by Hasan to Bilbeisi, who would be waiting at the Agency office. The only documentary connection with Bilbeisi was that on the debit vouchers for the issuance of the cashiers check, the notation "cash for Mr. Bilbeisi" was made each time. These are the only instances we have been able to trace to Bilbeisi. Without the notation on the vouchers even these would have been impossible to connect with him.<sup>79</sup> Ex. 97.

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<sup>77</sup>Atlantic Bank is the same institution and branch at which Bilbeisi maintained his other Coffee, Inc. account.

<sup>78</sup>The amounts were for \$7,000 and \$10,000 in June 1984 and another \$7,000 in August 1984. These were not reportable cash transactions requiring the filing of a CTR.

<sup>79</sup>It should be noted that this system was not unique to Bilbeisi. The Boca Raton Agency performed the same service for other customers on several occasions.

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It is not known how Coffee, Inc. accounted for these withdrawals from their accounts, nor it is known what Bilbeisi did with the cash.<sup>80</sup> It is clear, however, that this system could have enabled him to access cash from these accounts with virtually no "paper trail," and to manipulate Coffee, Inc.'s books to show any type of deductible business expense not taxable as income to Bilbeisi.

Other instances of Bilbeisi cash transactions through the "cash-local" account in Boca Raton (for which CTRs were generated as appropriate) are as follows:<sup>81</sup>

<u>DATE</u>	<u>AMOUNT</u>	<u>SOURCE OF CURRENCY</u>	<u>AMOUNT RECEIVED IN US\$100 DENOMINATION</u>
1/6/86	US\$37,600	Atlantic BK via CC signed by Siddiqi	US\$30,600
1/22/86	US\$50,000	Cash-Local Atlantic BK	US\$45,000

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<sup>80</sup>Marcelle Walters was deposed in the Sturge v. Coffee Inc. litigation. She was questioned regarding the three cashier's checks relating to Munther Bilbeisi. Counsel for Sturge raised the question as to whether the cash generated through the cash local in this manner could have been used as a payoff to Nadim Hasan or any other bank officer who did favors for Bilbeisi. While stating that she had no knowledge of cash going to any BCC officer from Bilbeisi, Walters testified that it was certainly a possibility. Ex. 97.

<sup>81</sup>In each instance, the balance in the cash local account was insufficient to meet the requested withdrawal.

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2/19/86	US\$55,000	Cash deposited	US\$38,000
		for Bilbeisi	

A similar system was employed at the Miami Agency. Between May 19 and June 22, 1983, for instance, Bilbeisi made four currency withdrawals from the Orion account in Miami in the amounts of US\$30,000, US\$15,500, US\$22,000 and US\$40,000. Ex. 32. These withdrawals were made through debit vouchers which were signed by Bilbeisi as the recipient of the money, and which also identified the denominations of currency received (for example, the US\$40,000 withdrawal was with four hundred \$100 bills). These withdrawals, especially without the use of a check, should have triggered a CTR in each instance. As noted, no CTR files prior to 1987 exist for Miami and our sources indicate that the IRS has no record of these cash transactions. On the other hand, the Boca Raton Agency did file CTRs on its reportable cash transactions with Bilbeisi.

It is by no means clear that these are all of the instances in which Bilbeisi was supplied cash. These specific cases were found because vouchers specifically referencing Bilbeisi were uncovered. There is no way of knowing how many more such vouchers there are like this among the Agencies' tens of thousands of vouchers, or even whether references to Bilbeisi were always made on the vouchers. What is clear,

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however, is that these cash transactions are almost impossible to trace.

(b) Use of Miami Agency "Operating Account":

On September 13, 1983 a US\$50,000 check was issued to Munther Bilbeisi, which was drawn on the Miami Agency account maintained at Pan American Bank, N.A. Ex. 98. This was an internal account maintained by that Agency as its "Operating Account." Most withdrawals from this account were deposited to the Miami Agency's payroll account.

The check issued to Bilbeisi for US\$50,000 has the authorizing signatures of N. Siddiqi and M.S. Hamidani.<sup>82</sup> The check was endorsed by Bilbeisi and was cashed at the Pan American Bank on the very date it was issued. Pan American Bank filed a CTR with the U.S. Treasury Department concerning the cashing of the check. No Agency employee has been able to explain any reason for issuing a US\$50,000 check on the Bank's own Operating Account to Bilbeisi. The Agency debited the Coffee, Inc. account for US\$50,000, but once again this cash withdrawal by Bilbeisi left virtually no "paper trail."

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<sup>82</sup>At the time, N. Siddiqi was an officer at the Miami Agency. In the upper left hand corner of the check is a notation by Siddiqi approving the check. Hamidani was also an officer at the Agency, and later he was transferred to Boca Raton, where he subsequently became Acting Manager following the departure of Nadim Hasan.



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This enabled Coffee, Inc. to account for the cash withdrawal in any way it chose, either as a coffee purchase or some other legitimate business expense not generating taxable income to Bilbeisi.

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IV. CALDERON, OTANO AND VILLALBA

A. BACKGROUND

Steve Calderon, Jose Otano and Joseph Villalba were all employed by CCT shipping line. Calderon was the vice president of operations, Otano was in charge of Central and South America, and Villalba was in charge of in-bound U. S. shipments. With the help of Jay Anthony Aramburo (alias "Raphael Garcia") Calderon, Otano and Villalba operated the smuggling ring with Bilbeisi until about late 1985. Ex. 6. They were also associated with Bilbeisi in the three container companies in Boca Raton, and together they arranged to lease shipping containers and other equipment to CCT, the same shipping line used in the smuggling operation and the line which employed them in key positions. See App. 4.

B. Panamanian Corporate Accounts Established in London

Calderon, Otano and Villalba established their banking relationship with BCC in May, 1984, by opening accounts for three Panamanian corporations at the Swiss Cottage Branch in London.<sup>83</sup> Ex. 99. The "Franjuli, S.A." account was opened by Calderon; the "Chevere, S.A." account was opened by

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<sup>83</sup>As will be noted, the initial deposit checks and Account Opening Forms were sent to Majaz Malik in May, but the accounts were not actually opened until about July, when the new Swiss Cottage Branch was officially opened under Malik's management.

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Villalba; and the "Labaro, S.A." account was opened by Otano. The initial deposits into these accounts were Coffee, Inc. checks in the amounts of US\$257,600, US\$290,970. and US\$350,000 respectively, and these allegedly represented payments of commissions by Coffee, Inc. to Calderon, Otano and Villalba.<sup>84</sup> Ex. 100.

These three accounts were opened by Majaz Malik, who at the time was the assistant manager at the Brompton Road Branch in England. However, since Malik knew he was about to be made manager at the new Swiss Cottage Branch, he delayed opening the accounts until July when that branch opened. The three initial deposit checks were put into the Brompton Road

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<sup>84</sup>According to Bilbeisi's outside accountant, Kenneth Grushoff, the payments to Calderon, Otano and Villalba from Coffee Inc. were recorded as commissions on the books and records of Coffee Inc. and were made to their Panamanian corporations at their request. Such commission payments are required by U. S. law to be reported to the Internal Revenue Service on Form 1099, but Grushoff admitted in deposition that he was instructed by Bilbeisi not to prepare the appropriate reporting forms. The payments were not listed on the Coffee Inc. tax returns as commissions, but instead were included in the "cost of goods sold" as coffee purchases. This would have prevented the transaction from being identified from the Coffee, Inc. tax return as income taxable to Calderon, Otano or Villalba. Grushoff also claimed that Otano requested some of his commission payments be made directly to contractors building his new home. Bilbeisi obliged. Grushoff claimed Calderon, Otano and Villalba all knew Forms 1099 would not be issued to them or their companies. He also stated that these entities were established for the purpose of evading United States taxes. Ex. 101.

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account at the Head Office in London in May, and upon his transfer in July, 1984, Malik had the funds transferred to the Swiss Cottage Branch account at the Head Office for further credit to the newly-opened corporate accounts. Ex. 102.

Malik stated that these accounts were referred to him by Nadim Hasan, the manager at the Boca Raton Agency, because they were close friends (a fact Hasan later denied in an interview with us, Ex. 18) and he wanted to help Malik in his new position as branch manager.

The Account Opening Forms were prepared by Hasan in Boca Raton. Ex. 102. They indicate that the accounts were referred to BCC by Munther Bilbeisi, reported Panamanian corporate addresses, and indicated that the branch should hold all mail for each company. Ex. 99. The prepared forms were mailed to Malik along with the initial deposit checks. At the same time, Hasan conveyed to Malik the very strong desire of Calderon, Otano and Villalba for strict confidentiality concerning these accounts. This desire for confidentiality was confirmed by Calderon, Otano and Villalba themselves when they later met with Malik in London shortly after the accounts were opened. Malik assured Hasan and the customers that he would fully comply with these wishes.

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Malik requested that the Panama Agency provide a background check on each of the corporations. He later received Dun & Bradstreet reports indicating that although the companies maintained Panamanian addresses they had no offices there and did not report any current business operations. Ex. 103. Malik was requested to provide accurate addresses for the businesses for a further background check, but never did so.

Malik stated to us that he believed the corporations were "bearer-shareholder" Panamanian companies, and that he knew they conducted no actual business operations since they were "shelf" companies. Malik also stated that he understood that Calderon, Otano and Villalba opened these accounts because they did not want to deposit their money in the United States due to "tax consequences." Malik said that the accounts were classified as "no correspondence (hold mail)" because the customers insisted upon confidentiality and did not want statements mailed to any Panamanian or U. S. address.

C. Individual "Numbered" Accounts Established in London

Calderon, Otano and Villalba also maintained a number of individual accounts at the Swiss Cottage Branch, each of

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which were opened upon Malik's recommendation. Ex. 104. In December 1984, Calderon, Otano and Villalba had applied to the Boca Raton Branch for a loan of US\$700,000. Ex. 105. The purpose of this loan was to buy out Bilbeisi's partnership interest in three container companies, International Equipment Services, International Chassis Services and Consolidated Trailers.<sup>85</sup> The proceeds of this loan were deposited into the Coffee, Inc. account at Boca Raton, and the loan was secured mainly by Swiss Cottage guarantees based upon newly opened individual accounts. Ex. 107. On the same date the US\$700,000 was deposited, Coffee, Inc. purchased three cashier's checks at Boca Raton payable to Franjuli, Labaro and Chevere for a total amount of over US\$989,000. Ex. 108. These checks were subsequently deposited into the corporate accounts at Swiss Cottage. Essentially, Calderon, Otano and Villalba were immediately repaid their purchase price for the three partnerships, plus an additional US\$289,000.

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<sup>85</sup>These are the same companies which were formed in November, 1983 and one month later received the US\$2.5 million "working capital" loan which was placed into Bilbeisi's personal time deposit accounts in Panama and Nassau. Prior to the buy-out of Bilbeisi's interest in these companies, they had changed form from corporations to limited partnerships. The partners were Bilbeisi, Calderon, Otano and Villalba. Ex. 106.

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Calderon, Otano and Villalba had wanted to secure this loan with Bank guarantees based upon their Franjuli, Chevere and Labaro corporate accounts at the Swiss Cottage Branch. Malik recommended against this, however, because additional paperwork was required for Panamanian corporations and because of the length of time necessary to complete the transaction. Ex. 102. Malik instead suggested that they open personal accounts at that branch and use those accounts to secure the Boca Raton loans. They agreed, and in July, 1984, they opened nine personal accounts. Each of them had three accounts in his own name: one U. S. dollar money market account; one pound sterling money market account; and one time deposit account. These accounts were all manager's ledger "numbered accounts" in order to insure Calderon's, Otano's and Villalba's confidentiality. Malik said he believed that each of the individuals wanted numbered accounts in order to "maintain their confidentiality from Bank employees," because they said they did not want their names to appear on the Bank computer terminals. Ex. 102.

Malik stated that the three individuals had also wanted these personal accounts so that they could withdraw cash

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easily when they traveled to Europe.<sup>86</sup> On at least one occasion, in February 1986, Calderon, Otano and Villalba withdrew cash to spend on a skiing trip in Switzerland. In addition, Malik stated that "occasionally" Calderon, Otano and Villalba carried cash from their accounts back to the United States in amounts of US\$10,000, US\$20,000 or US\$30,000.<sup>87</sup>

**D. Malik's Relationship With Calderon, Otano and Villalba**

Malik was told by Nadim Hasan on various occasions through 1984 and 1985 that Calderon, Otano and Villalba had been employed by Bilbeisi in the coffee business as salesmen for Coffee, Inc. Malik also knew from Hasan that sometime in 1985 the three individuals left Bilbeisi's company and began their own shipping container rental business. Calderon, Otano and Villalba were also involved, he believed, in other businesses, including real estate development (motels in

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<sup>86</sup>It is unclear why it would have been easier for them to withdraw cash from individual accounts as opposed to the corporate accounts. Malik admitted that he knew that each of the corporate accounts was simply an alter ego for the three individuals, and he consistently permitted those individuals to remove cash from their accounts upon demand.

<sup>87</sup>Malik said that in 1990 he would "probably not" tolerate such withdrawals; however, in 1984 he was not concerned with such transactions. Ex. 102.



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Miami), the ownership of a mobile home business, a nurse recruitment business and a catering business.<sup>88</sup>

Moreover, Malik may have also learned some of this information directly from the accountholders. He stated that at times he had entertained Calderon, Otano and Villalba (and their spouses) when they came to London. In addition, he arranged their hotel accommodations, and on at least one occasion personally met Calderon's two brothers when they were withdrawing cash from the Calderon accounts. Generally, Malik's meetings with Calderon, Otano and Villalba were social according to him, and business matters were not

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<sup>88</sup>These businesses were known by various names such as ABC Party Rentals, C.O.V. Commodities and Cal-Vil Investments. Three other businesses were formed by Calderon, Otano and Villalba. These were: C.O.V. Commodities, Inc.; COE Commodities and Cal-Vil Investments. C.O.V. Commodities was a business formed by Calderon, Otano and Villalba with a bank account at Intercontinental Bank in Miami. This company received substantial transfers of funds from the Commodity Brokers International account at Swiss Cottage and at least one transfer of monies from that corporation's account at BCC/Colon. The disposition of the funds from the C.O.V. Commodities account at Intercontinental Bank in Miami is not known. C.O.E. Commodities was a business venture between Calderon, Otano, Jim Puente and Raul Enriquez. Puente was the accountant for Calderon, Otano and Villalba who was also involved as a beneficiary on several of Munther Bilbeisi's letters of credit. The volume of activity of this business is not known since its accounts were not maintained at BCC. Cal-Vil Investments was a business venture between Calderon and Villalba. This business maintained an account at the Boca Raton Agency and had a US\$10,000 loan guaranteed by BCC Swiss Cottage. The activity in this account was minimal.

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discussed, although occasionally the account holders would ask about their account balances or other general questions. Malik had no explanation as to why Calderon, Otano or Villalba would have come to London to meet with him just to discuss social matters, and stated that they were "just friendly visits." Ex. 102. He added that entertaining out-of-town clients was not unusual at ECC.

In July, 1987, Malik traveled with his family to Texas for the purpose of visiting his brother. From Texas he stated that he and his family drove to Orlando, Florida, in order to visit Disney World. While at Disney World he stated that he decided he would visit Calderon in Boca Raton (approximately a three and a half hour drive from Orlando) and Villalba in Miami (approximately a four hour drive from Orlando). Malik stated that he did meet with Calderon and Villalba, but that they did not discuss the accounts or any other business matters.<sup>89</sup> Ex. 102.

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<sup>89</sup>Malik stated he also met with the manager of the Boca Raton Agency, Sadiq Hamidani, and another Boca Raton customer who had been referred to the Swiss Cottage branch by Nadim Hasan. Nevertheless, Malik continued to insist that these were entirely social visits and no business whatsoever was discussed with these customers or with the Boca Raton manager.

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E. Malik Discussions About U.S. Taxes

Although Malik understood that the purpose of at least the corporate accounts was to avoid "tax consequences" in the United States, Malik said he did not recall having any discussion with Calderon, Otano or Villalba relating to taxes until 1987, when Otano was in the process of divorcing his wife. Otano and his partners telephoned Malik and expressed their concern that Mrs. Otano would "blow the whistle" on them with the IRS in the U. S. Malik stated he was extremely surprised when he heard this, because he had met Mr. and Mrs. Otano and thought they were a happily married couple. Malik expressed no surprise, however, at their concern that Mrs. Otano might "blow the whistle." Ex. 102.

Calderon, Otano and Villalba telephoned Malik several times after this initial conversation to express their continuing concerns about Mrs. Otano revealing the existence of their London accounts to the IRS. Malik claimed that he told them that he would be forced to release their bank records if the British authorities demanded them on behalf of the United States Government. Therefore, the accountholders decided to close their accounts in order to avoid any investigations and, according to Malik, "declare it all." Ex. 102. Malik thought that this meant they would declare

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all of the interest income that they earned on these accounts, as well as the deposits (presumably taxable income) which they had made in London. The accounts at Swiss Cottage Branch were closed in February, 1989 after these conversations. The funds were used to repay loans in Boca Raton and cancel guarantees which had been issued in London to secure them.

**F. The Commodity Brokers International Accounts**

One other account which had been opened in the Swiss Cottage Branch and also at the Panama Agency, and which was not closed in February, 1989, is the corporate account for Commodity Brokers International of Panama, another Panamanian corporation controlled by the three partners.<sup>90</sup> Ex. 109.

Although there is no reference to coffee in any of the account records, Malik stated he thought this was a commodity brokerage firm for coffee from Latin America. Most of the transfers out of this account were to BCC Panama, to an account called "COV Commodities," a business controlled by Calderon, Otano and Villalba. Ex. 102. Commodity Brokers

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<sup>90</sup>In 1989, while under investigation by the I.R.S., Calderon, Otano and Villalba authorized the bank to disclose information about some of their accounts in London. They did not authorize disclosure of the Commodity Brokers Account and the I.R.S. never requested information about it. Apparently, neither the I.R.S. nor Mrs. Otano knew about the account and therefore there was no need to close it in February 1989.

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International of Panama also opened an account at the Panama Agency. From 1984 through 1987, millions of dollars were transferred back and forth between Franjuli, Chevere, Labaro, Commodity Brokers International (Swiss Cottage), Commodity Brokers International (BCC Panama), COV Commodities, the personal accounts of Calderon, Otano and Villalba in London, and accounts maintained in other banks by these individuals. Ex. 109, Ex. 110.

**G. Loan Transactions**

Based upon funds initially generated from Bilbeisi and Coffee, Inc., Calderon, Otano and Villalba started several businesses. A common element for each of these businesses and for the individuals as well is that they received numerous loans from either the Boca Raton Agency or Swiss Cottage, all of which were cash collateralized in the Swiss Cottage Branch. The following is a review of some of these transactions.

**(1) DECEMBER 20, 1984**

Calderon, Otano and Villalba each received a US\$140,000 loan (total US\$420,000) from Swiss Cottage for the purpose of purchasing luxury cars (Mercedes Benz) in Germany. This was intended to be a three month loan. According to the loan documents, the proceeds were converted to deutschemarks to be

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turned over to Otano at a Holiday Inn in Dusseldorf, West Germany upon the presentation of his passport. The loans were secured by time deposits at Swiss Cottage, and were not repaid until February, 1989 when most of the accounts were closed. Ex. 109.

(2) OCTOBER 17, 1985

Calderon, Otano and Villalba established additional loan accounts at Swiss Cottage and made the following draws on the loans:

	<u>Calderon</u> <u>1400001</u>	<u>Otano</u> <u>14000062</u>	<u>Villalba</u> <u>14000057</u>	<u>Proceeds</u> <u>Destination</u>
10/17/85	42,000.00	42,000.00	42,000.00	BCC Panama
10/28/85	34,000.00	34,000.00	34,000.00	BCC Panama
10/28/85	58,725.34	58,725.34	58,725.34	BCC Panama
11/09/85	46,750.00	46,750.00	46,750.00	Bank of Nova Scotia
11/15/85	<u>25,000.00</u>	<u>25,000.00</u>	<u>25,000.00</u>	Intercon- tinental Bank Miami
	US\$206,475.34	\$206,475.34	\$206,475.34	

All of these loans were guaranteed by compensating balances at Swiss Cottage. Prior to February 26, 1989 these loans were repaid by the three individuals. Ex. 109.

(3) JANUARY 23, 1986

Calderon received a US\$150,000 loan at the Boca Raton Agency secured by a compensating balance at Swiss Cottage.

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The original purpose of the loan was for the purchase of real estate in San Antonio, Texas. However, the credit line on this loan was steadily increased as follows:

1/23/86	US\$150,000.00	
4/04/87	US\$100,000.00	
4/04/87	US\$125,000.00	Purchase Marine Trailers
5/22/87	US\$ 50,000.00	
7/13/87	<u>US\$100,000.00</u>	
	US\$525,000.00	

All of these additional loan facilities were guaranteed by compensating balances at Swiss Cottage. The loan involving the purchase of Marine Trailers in April of 1987 was also guaranteed by Jim Puente (a C.P.A. from Miami) and Raul Enriquez, business associates of Calderon, Otano and Villalba. Periodic interest and principal payments were made on this loan through February 20, 1989, at which time the loan was repaid in full with US\$432,510 in proceeds from Calderon's numbered account maintained at Swiss Cottage. Ex. 109, Ex. 111.

Also on January 23, 1986, Joseph Villalba obtained a US\$150,000 loan from the Boca Raton Agency guaranteed by compensating balances at Swiss Cottage and by Villalba's personal guarantee. Periodic interest and principal payments

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were made on the loan until February 20, 1989 when US\$249,815.30 was paid to the Boca Raton Agency by Swiss Cottage to close out the loan. The proceeds came from Villalba's numbered account at Swiss Cottage. Ex. 109, Ex. 111.

(4) JUNE 29, 1987

ABC Party Rentals obtained a loan at Boca Raton for US\$31,000 to purchase computer equipment. The signatories on the loan were Steve Calderon, Joseph Villalba and Carlos Melendez. The loan was personally guaranteed by all three and by compensating balances at Swiss Cottage. Periodic interest and principal payments were made on the loan, which was closed out on February 20, 1989. Ex. 109, Ex. 111.

(5) JUNE 1, 1988

ABC Party Rental d/b/a Diamonette Party Rentals obtained a US\$50,000 loan at the Boca Raton Agency on June 1, 1988. The signatories on the loan were Steve Calderon, Joseph Villalba and Carlos Melendez. All three personally guaranteed the loan, which was also secured by guarantees from Swiss Cottage. Periodic interest and principal payments were made on the loan until February 20, 1989, when this loan and ABC Party Rental's June 29, 1987 loan were both paid off with proceeds from the numbered accounts of Calderon



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(US\$14,845) and Villalba (US\$14,845) at Swiss Cottage. Ex. 109, Ex. 111.

**(6) FEBRUARY 20, 1989**

On this date the numbered accounts of Calderon, Otano and Villalba were closed at Swiss Cottage, and part of the balances were transferred to the Boca Raton Agency in order to pay off their first loan for US\$700,000 which had been used to buy Bilbeisi's interest in the three container companies. Final payments totaled US\$166,133, of which each paid from his numbered account at Swiss Cottage the sum of US\$55,437. Ex. 109, Ex. 111.

Periodic interest and principal payments had been made over the four year life of the loan to reduce the principal from the initial US\$700,000 balance. The sources of these payments to reduce this principal have not been determined, but many of the loan payments were made by cashier's checks obtained from Glendale Federal Savings and Loan Association in Miami. Ex. 112.

Also on February 20, 1989, the loans obtained on December 20, 1984 by Calderon, Otano and Villalba for the purchase of the luxury autos were paid off in the amount of US\$225,288.36.

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Periodic payments had been made on this loan during its four year term from unidentified accounts at Swiss Cottage.

After payment of the Boca Raton and Swiss Cottage Branch loans, the final balances in the personal numbered accounts at Swiss Cottage were, as of February 20, 1989:

Calderon	US\$166,297.34	Transferred to personal account at Boca Raton Agency.
Otano	94,218.44	Transferred to personal accounts at Southeast Bank, Miami.
Villalba	<u>221,044.77</u>	Transferred to personal account at Boca Raton Agency.
	US\$704,044.77	

The closing of the numbered accounts at Swiss Cottage resulted in transfers and loan repayments in the total amount of US\$1,585,897.53.

**H. Movement of Money to Gerardo Harris in Panama**

From April, 1984 until November, 1985 there was a pattern of movement of millions of dollars between Coffee Inc. and Calderon, Otano and Villalba, and Gerardo Harris, identified as an alleged Noriega associate. The starting point for the movement of these funds was Coffee Inc. Monies classified as commissions from coffee sales were transferred to the numerous accounts at the Swiss Cottage Branch controlled by Calderon, Otano and Villalba. From there,

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substantial sums were immediately transferred to BCC Colon directly into accounts controlled by Gerardo Harris.<sup>91</sup> Ex. 109, Ex. 111.

It is not known how Harris disposed of the funds received from Bilbeisi or from Calderon, Otano and Villalba in London and Panama via the Swiss Cottage Branch. These records were requested from BCC Colon but not produced. In addition, other transfers were made from the Swiss Cottage Branch into accounts maintained by Jorge Pena Solano, an alleged narcotics trafficker, at the Bank of Nova Scotia. Ex. 109, Ex. 111.

The accounts maintained by Calderon, Otano and Villalba produced substantial taxable interest income. Conservatively, each earned more than US\$200,000 in interest income between 1984 and 1988. Ex. 109. Also, millions of dollars in deposits, presumably all taxable income, were deposited in these accounts. Since Calderon, Otano and Villalba along with Bilbeisi are currently under active criminal investigation by the IRS, it is presumed that their substantial taxable income was either under-reported or not reported at all.

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<sup>91</sup>In April of 1984 Bilbeisi himself had directly transferred \$560,000 from Coffee Inc. accounts into accounts controlled by Harris. See p 112.

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The business relationship between Calderon, Otano and Villalba with Gerardo Harris is suspicious. While Harris is an influential businessman in the Colon Free Zone, he is also allegedly connected to Noriega and involved in narcotics trafficking and money laundering.

It was in November, 1985, when Calderon, Otano and Villalba formed Commodity Brokers International of Panama and opened accounts for it at the Swiss Cottage and BCC Colon, that Calderon, Villalba and Otano ostensibly stopped working with Bilbeisi. This account received large amounts of funds from unidentified sources and from the various Calderon, Otano and Villalba accounts. Funds in this account were immediately transferred to other accounts held by the three partners and to Harris' account at BCC Colon. Ex. 109; Ex. 111. The circular movement of these bank funds could be construed as evidence of money laundering. The trio opened other accounts at BCC Colon, one of which was used as collateral for a Gerardo Harris loan. Ex. 111. The key to analyzing the movement of funds between London and Panama/Colon is the records at BCC Colon which have been requested but not produced.

The connection any of these individuals have with any legitimate business which would generate the amounts of money

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deposited in their many "shelf" corporation accounts or which would justify the repeated, circular transfers of millions of dollars among these accounts has not been found. Together with the reputation of Gerardo Harris as an associate of Manuel Noriega and as a drug trafficker and money launderer, all of this activity becomes extremely suspicious.

The role of the bank in all of these activities is equally if not even more direct than with the Bilbeisi smuggling scheme, by virtue of Majaz Malik's connections with these people. Malik provided the services and advice to them at Swiss Cottage, and he was fully aware of the circular transfers of funds among their accounts. His own role may have gone even further. Calderon, Otano and Villalba provided instructions at BCC Colon to permit the transfer of monies upon verbal instructions by any of the three of them if the funds were transferred to:

A. Bank of Nova Scotia account of Jorge Pena Solano, an alleged narcotics dealer and money launderer;

B. BCC Colon, account of Commodity Brokers International of Panama; or

C. Any account with the approval of M. Malik of BCC Swiss Cottage. Ex. 113.

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Malik has denied any knowledge of these instructions and cannot explain them. Possibly, Calderon, Otano and Villalba neglected to mention them to Malik in any of their frequent "social" meetings.

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**V. INVOLVEMENT OF BCC PERSONNEL**

**A. A.R. Sakhia**

Sakhia served as the highest ranking BCC officer in Miami from the opening of the Miami Agency and Regional Office in May 1982 until February 1987 when he was transferred to the New York office.

Current investigation which included the forensic audit of bank documents and interviews of present and former bank officers and employees has established that Sakhia directed and ordered most of the bank's transactions involving Munther Bilbeisi and his companies.

Numerous BCC officials who served under the command of Sakhia in Miami stated during interviews with counsel and investigators that Sakhia ordered and directed favorable treatment toward Bilbeisi in contravention of bank policies and lending procedures. These activities included the following:

(1) Exceeding the loan authority of the Miami Regional Office by lending Bilbeisi's companies a total of US\$2.5 million on December 23, 1983 without the knowledge or approval of the Central Credit Committee in London;

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(2) Disbursing the proceeds of that loan through BCC internal accounts and arranging for the deposit of US\$1,500,000 in an account at BCC Panama without benefit of written instructions from Bilbeisi or execution of a required Account Opening Forms; and arranging for the deposit of approximately US\$956,000 of the loan proceeds in a Bilbeisi account at BCC Nassau without written instructions, Account Opening Forms or signature cards;

(3) Withholding the existence of the US\$2.5 million loan from the Central Credit Committee in London from December 1983 to at least August 1984, during which time other loans and credit facilities were extended to Bilbeisi for at least another US\$2.5 million without adequate collateral. During this period, Sakhia appears to have deliberately deceived the Central Credit Committee for the benefit of Bilbeisi both in terms of the amount of credit extended and collateral therefor as well as deliberately hiding Bilbeisi's coffee business and its relationship to General Coffee and Alberto Duque;

(4) Allowing overdraft facilities exceeding authorized limits;

(5) Creating margin accounts through overdrafts and acceptance of post-dated checks, thereby effectively



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advancing BCC funds for the benefit of Bilbeisi without adequate credit approval or loan documents;

(6) Filing false and inaccurate CLP's in London for approval of Bilbeisi's credit facilities.

(7) The transfer of Bilbeisi funds, including US\$600,000 from the Atlantic Bank and US\$1,027,000 which had been held in a letter of credit margin account, for the opening of new accounts at the Nassau Agency without written authorization or required Account Opening Forms or signature cards.

Every present and former Miami Agency and Regional official interviewed regarding their knowledge of Bilbeisi's transactions with the Bank stated that Sakhia authorized and directed each loan, extension of credit, letter of credit, acceptance of post-dated checks and account openings for Bilbeisi. Persons interviewed who made statements in this regard included Hassan Parvez, M.U. Rehman, Engracia Estalella, Sadiq Hamidani, S.U. Sakrani, Enrique Olavarria and Ted Walters.

Moreover, even Nadim Hasan and Hamid Khan, in the limited interviews they granted to counsel and investigators, made statements that Sakhia controlled and directed transactions involving Bilbeisi. Khan, in particular, stated

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that the manner in which credit and loans were extended to Bilbeisi were all rigidly directed by Sakhia.

The employees said that Sakhia conducted business at the Agency and Regional Office in a strict, uncompromising manner and contrary to BCC policy. His "innovative" methods of achieving a client's objectives frequently deviated from Bank policy and procedure. The picture which emerges from Sakhia's management of the Miami Regional Office is that of a renegade regional manager who conducted the business of a bank within a bank.

Documents obtained from the Central Credit Committee and from reports of the Bank's internal auditors show that Sakhia's policies were frequently at odds with London headquarters in matters pertaining to Bilbeisi transactions as well as transactions involving other clients. See Ex. 53; Ex. 54; Ex. 52.

Sakhia managed the Miami Regional Office and the Agency with frequent disregard for established procedures while subjecting subordinates who disliked his methods to vindictive and career threatening treatment, according to many BCC employees who have been interviewed during this investigation. See Ex. 14; Ex. 36.

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According to those interviews, Sakhia arranged deviations from established policies and procedures of BCC through certain loyal subordinates, including Nadim Hasan, Hamid Khan, and M. U. Rehman so that rarely did his signature or initials appear in the files of customers such as Munther Bilbeisi.

Louis Altemar has identified A.R. Sakhia as a BCC official who was very close to Munther Bilbeisi and who arranged favored treatment for Bilbeisi in terms of loans, credit and abuse of Bank facilities. Document review and interviews of BCC personnel conducted during this inquiry tend to support Altemar's allegations.

Finally, it should be noted that Sakhia declined to be interviewed by us and refused to cooperate with the Bank's investigation unless certain conditions and demands were met by BCC. These conditions were inconsistent with the procedures established by BCC for the conduct of this internal investigation. Shortly after his refusal to cooperate, Sakhia resigned from his position with the Bank effective July 31, 1990.

**B. Nadim Hasan**

Nadim Hasan served under A.R. Sakhia in Miami after the Agency and Regional Office were established in 1982.

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According to interviews conducted with other BCC employees, Hasan was a particular favorite of Sakhia. Hasan's career flourished under Sakhia, culminating in his appointment as first manager of the Boca Raton Agency.

Among other duties, Nadim Hasan handled several of the letters of credit for General Coffee and Alberto Duque in 1982 and 1983 which resulted in the multi-million dollar loss to the Bank. Nevertheless, Hasan was hand picked by Sakhia to manage the BCC Agency in Boca Raton, which closely serviced the transactions of Munther Bilbeisi and his business associates, Calderon, Otano and Villalba. While at the Boca Agency Hasan became close to Bilbeisi socially. Together with Sakhia, Hasan personally negotiated Bilbeisi's US\$2.5 million secret loan in December 1983.

Hasan and his attorney, after answering some preliminary questions by the Bank's counsel and investigators, refused to answer further questions regarding certain Bilbeisi transactions in which Hasan was directly involved. Hasan's refusal to cooperate precluded us from questioning him regarding allegations made by Louis Altemar that on several occasions Bilbeisi paid cash bribes to him.<sup>92</sup>

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<sup>92</sup>Hasan's refusal to cooperate also precluded us from questioning him about the Bank's transactions involving Calderon, Otano and Villalba.

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Suspicious Bilbeisi-related transactions in which Hasan directly participated were:

(1) The US\$2.5 million "working capital" loan to Bilbeisi's three container companies. This was the first large loan issued by the Boca Raton Agency and completely exceeded the lending authority of the Agency and the Regional Office but was never approved by the Central Credit Committee.

(2) The disbursement of the US\$2.5 million loan proceeds on December 23, 1983 to accounts established that same day in Panama and Nassau in the name of Munther Bilbeisi despite the lack of written authorization and required Account Opening Forms. The funds were transferred through the Boca Raton and Miami Agency through internal accounts in such a manner as to conceal the movement of those funds into the personal accounts of Bilbeisi outside the United States.

(3) The arrangement of the US\$700,000 loan to Calderon, Otano and Villalba to buy Bilbeisi's interests in International Chassis, Container International and Consolidated Trailers, the three companies which received the secret loan in December 1983.

(4) The introduction of Calderon, Otano and Villalba to Majaz Malik in London, and the preparation of the Account

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Opening Forms for their Panamanian "shelf" corporation accounts, Franjuli S.A., Chevere S.A. and Labaro S.A.

(5) Obtaining cash for Bilbeisi through the use of the Agency's cashier's checks payable to Agency employees and cashed through the Agency's cash local account.

In addition, Hasan was alleged to have been a very close friend of Bilbeisi and it has been established that he visited Bilbeisi's home on numerous occasions. In fact, his relationship with Bilbeisi may have involved more than Bank business or social calls. It may have included business investments. On February 17, 1988, Bilbeisi's outside accountant, Kenneth Grushoff, in a business letter to Bilbeisi mentioned Bilbeisi's "continuing losses in the container business with Nadim Hasan." Ex. 67. Hasan and Grushoff have refused to explain this reference to us.

Finally, Nadim Hasan was also directly involved in arranging for and servicing the secret London account of Heather Wyser-Pratte. Pratte, along with the Bank itself, is presently facing criminal indictment by the I.R.S. for income tax evasion. See Section VII.

Hasan's refusal to cooperate with the Bank's investigation resulted in his dismissal from employment by BCC in the Summer of 1990. Nadim Hasan is a target of the

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IRS in its criminal investigation of Munther Bilbeisi, et al. Nadim Hasan, along with A.R. Sakhia and Hamid Khan, is the most likely former BCC employee to be indicted in this case.

**C. Hamid Khan**

Hamid Khan came to the Miami Agency in May 1983 and was immediately given the responsibility for the Agency's letters of credit.

Between May 1983 and late 1988, Hamid Khan was involved in every letter of credit opened by the Miami Agency for Munther Bilbeisi. In that time period Bilbeisi opened over 27 letters of credit with a face value of in excess of US\$79 million for which approximately US\$9 million was ultimately paid by BCC on behalf of Bilbeisi for the purchase of coffee. Louis Altemar, former driver, bodyguard and business associate of Munther Bilbeisi has alleged that Hamid Khan was one of five BCC officials who had an improper relationship with Bilbeisi and received bribes from him. This is an allegation which Khan has denied.

Altemar has charged that among other payments, Khan was given a check for US\$2,500 in April 1986 by Bilbeisi which was drawn on the account of Coffee Inc. and made payable to Diane Mandarino. Ex. 19. Mandarino at that time was the live-in girlfriend of Khan. A notation on the check stated

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that it was "For Mrs. Hamid Khan". While Khan has denied that he ever accepted any bribes or improper payments from Bilbeisi, he has given conflicting accounts of the purpose of this check. Further, Khan's versions have conflicted with explanations given by Munther Bilbeisi in his deposition testimony in the Sturge litigation.<sup>93</sup>

Initially, Khan represented that while he and Mandarino lived together they would often write checks to each other and exchange small loans. Khan made this explanation during an interview with a Bank attorney at a time when an actual copy of the check had not been obtained. Khan also showed a lack of candor by claiming to the Bank's attorney that he did not know the current whereabouts of Diane Mandarino.<sup>94</sup> Subsequently, we received a copy of the check but Khan and

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<sup>93</sup>Khan initially denied any knowledge of the check to a bank attorney. Later, in an interview with another bank attorney, he characterized the check as one of a series of financial transfers between himself and Mandarino. Later, with yet another bank attorney, he stated that the check may have involved the sale of carpets to Bilbeisi, and Kahn had the check issued to Mandarino to avoid the appearance of impropriety. On the other hand, Bilbeisi has testified that the check was issued at Khan's request for the purpose of giving money to Mandarino without the knowledge of Khan's wife.

<sup>94</sup>Subsequent interviews of Diane Mandarino established that Khan called her shortly after being interviewed about this check. In denying his knowledge of her whereabouts, it appears Khan wanted to preclude any interview of her.



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his attorney have refused further cooperation with the Bank, thus preventing additional questions.

The US\$2,500 check from Bilbeisi's Coffee Inc. to Diane Mandarino is not the only check to Mandarino which has raised questions during the Bank's investigation.

On 3/12/85 a BCC cashier's check in the amount of US\$840.00 was made payable to Diane Mandarino at the instruction of Hamid Khan. Ex. 136. The check was debited to an internal account of the Miami Agency. The reverse side bears the alleged endorsement of Diane Mandarino but the signature is suspicious. Further the check was negotiated at the Pan American bank where Khan, not Mandarino maintained an account.

In an interview with us, Mandarino denied that she ever received any cashier's checks from BCC. Like the Coffee Inc. check, Mandarino claimed she had no knowledge of it.

Moreover, there are at least three other questionable cashier's checks which were made payable to Hamid Khan by Khan's order with no other explanation. As with the Mandarino check, the funds were debited against an internal

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BCC account. All three checks were endorsed by Khan and deposited in his account at Pan American bank.<sup>95</sup>

While it was not unusual for cashier's checks to be drawn against BCC accounts to officers for such purposes as payment of expenses, salary advances and loans, these checks to Khan and the one to Mandarino do not appear on their face to have such purposes. Khan has refused to make himself available to answer questions about these checks and the source and disposition of funds.

Khan's lack of cooperation has also precluded his responses to other critical questions raised in this investigation including:

- (1) Why were letters of credit opened for Bilbeisi, many of which were cancelled at the same time as Bilbeisi was issuing cashier's checks to ostensibly pay for coffee purchases?
- (2) Why did Hamid Khan and others consistently extend credit to Bilbeisi's letters of credit over and above his existing collateral and well beyond his approved facilities?
- (3) Why was a US\$1,027,000 margin transferred

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<sup>95</sup>The checks were drawn on December 3, 1985 for \$3,500; February 10, 1986 for \$1,500 and March 20, 1986 for \$2,900.

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"offshore" to Nassau from the Coffee, Inc. account to the Orion Systems accounts without written authorization?

(4) Why did Khan not challenge Bilbeisi when there were many reasons to suspect that Bilbeisi and his associates were smuggling coffee into the United States and selling at least a portion of that coffee to General Coffee Inc. subsidiaries, Chock Full O'Nuts and Chase & Sanborn which were then in bankruptcy and which were in default to BCC for US\$5 million?

(5) Why did Khan himself issue multiple sequential cashier's checks in excess of US\$1million payable to Louis Altemar in 1986 at the request of Bilbeisi?

(6) What was the role of Hamid Khan and Enrique Olavarria in creating a list of cashier's checks at the instruction of Munther Bilbeisi after a subpoena had been issued for their production by the Plaintiff in the Sturge litigation?<sup>96</sup>

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<sup>96</sup>This list included over 70 cashier's checks issued by the Bank to Altemar and others at Bilbeisi's direction, totalling millions of dollars. It included 10 checks to Altemar for US\$250,000 but endorsed by Bilbeisi and returned to the Boca Raton Agency for re-issuance and ultimate deposit in a Bilbeisi account. After this list was prepared, certain crucial checks disappeared for several months. They were found only after an intense search during our investigation. The checks in question tended to prove that Bilbeisi's insurance claim against Lloyds of London was fraudulent and their temporary disappearance prompted claims that the Bank was actively attempting to assist Bilbeisi in sustaining his fraudulent insurance claim.

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All of these issues have been fully discussed elsewhere in this report. Khan's refusal to cooperate with the investigation and answer questions regarding his conduct in these matters has resulted in the Bank's decision to terminate his employment.

**D. Hassan Parvez**

Parvez became manager of the Miami Agency in September 1984. He remained in that position until he was transferred to Istanbul, Turkey in late 1989.

As previously stated, Louis Altemar has made allegations to the effect that Parvez was one of five Bank officials who had what Altemar termed an "improper relationship" with Munther Bilbeisi. While Altemar stated that he had no knowledge of bribes or payoffs to Parvez by Bilbeisi, he nevertheless stated that Parvez was an officer from whom Bilbeisi obtained many favors including transactions wherein BCC used its own money to accommodate Bilbeisi's objectives rather than insist on proper and adequate collateral.<sup>97</sup>

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<sup>97</sup>It must be remembered, however, that it was Parvez who oversaw the collection of US\$3.5 million on Bilbeisi's bank guarantees, and worked hard to collect the remaining US\$400,000 in remaining interest due.

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When interviewed by us, however, Parvez answered questions in great detail. Parvez denied that he ever accepted any bribes or favors from Bilbeisi. He denied ever visiting Bilbeisi's home or having any type of social relationship with him. Parvez stated, in essence, that the acceptance of post-dated checks as collateral and the extensions of credit for letters of credit for Bilbeisi were directed by Mr. Sakhia.

He further maintained that the transfers of US\$600,000 to "offshore" accounts in Nassau in September 1984, as well as the transfer to Nassau of over US\$1 million in a margin account was done at the direction of Sakhia to accommodate Bilbeisi's desire to effectively conceal these assets from his wife who had filed a divorce suit at that time.

Parvez also stated that on many occasions, Sakhia bypassed him in connection with instructions regarding letters of credit for Bilbeisi. Sakhia would communicate these instructions directly to officers such as Hamid Khan or Engracia Estalella who nominally reported to Parvez.

Parvez concluded that when it came to Munther Bilbeisi and other specific clients who dealt with Sakhia, he was manager of the Miami Agency in name only and had no real power. Parvez acknowledged that there were many Bilbeisi

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transactions handled by Sakhia that he would not have authorized.

However, Parvez's involvement in the Mura International letter of credit transaction which occurred after Sakhia's transfer to New York raises serious questions about his own conduct.<sup>98</sup>

There is a serious lack of documentation regarding the terms and conditions surrounding the assignment of the Letter of Credit proceeds from Capital Bank and the rights of BCC to assign US\$400,000 to a long-standing interest debt owed to BCC by Coffee Inc.

There are questions as to why Parvez agreed to involve BCC in Bilbeisi's helicopter deal in the first place. Bilbeisi had owed BCC well over US\$3.9 million from 1986 until April 1988. At that time, open efforts to collect the money directly from Bilbeisi had failed, and the Miami Agency was forced to collect US\$3.5 million in bank guarantees,

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<sup>98</sup>The Mura International letter of credit transaction which concerns the assignment of approximately US\$837,000 from the Capital Bank in connection with the sale of helicopters to the government of Guatemala in 1988 has been the subject of litigation between Munther Bilbeisi and BCC. The litigation concerned the application of approximately \$400,000 from the letter of credit proceeds by Parvez to satisfy a long standing debt of Bilbeisi's company Coffee Inc, and was tentatively settled on November 20, 1990. See, p. 108.

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leaving a shortfall of approximately US\$400,000 in interest still owed.

Under these circumstances, it is all the more puzzling as to why Parvez agreed to participate in the assignment and why he did not protect the Bank's interest with a clearly written agreement saying that the purpose of the assignment was to pay the interest money due to the Bank.

Allegations have been made that part of the money assigned to BCC was intended to be used by Bilbeisi to pay certain bribes to foreign officials who had facilitated the helicopter deal for Bilbeisi. In fact, BCC transferred approximately US\$270,000 to Bank Leumi, Miami Beach in a questionable transaction which is alleged to be a cover for bribe money to be paid to certain Guatemalan officials. Parvez had stated to Bank attorneys, that he had conversations with Bilbeisi regarding the payment of bribes in connection with the helicopter sale.

F. Saad Shafi

Shafi was the manager of BCC Nassau prior to and after obtaining a Domestic License from the Bahamas. Prior to obtaining a Domestic License in 1985 the BCC Nassau office was operated from a deal in the Miami Agency. Shafi was manager of the Nassau operation in December of 1983 when

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Bilbeisi opened a time deposit account with proceeds from the US\$2.5 million loan from the Boca Raton Agency. Shafi was the manager of BCC Nassau when Bilbeisi opened accounts in September of 1984 for Orion Systems Inc. and Coffee Inc. These accounts were opened due to marital problems between Bilbeisi and his wife.

In total Bilbeisi opened four accounts at BCC Nassau while it was operated from the Miami Agency. No account opening forms were prepared for these accounts and no written instructions were issued by Bilbeisi to open them. Bilbeisi now claims that he was never a signatory over any accounts at BCC Nassau.

Shafi was indicted by a Federal grand jury in Tampa, Florida on money laundering charges in 1988 along with numerous other BCC officers. Shafi was never arraigned and there is an outstanding Federal warrant for his arrest. Shafi is no longer employed by the Bank and refused to cooperate in this investigation.

G. Amiad Awan

Awan was previously the manager of BCC Panama in late 1983 and 1984 when Bilbeisi had business dealings with this agency. In December of 1983 Bilbeisi opened a US\$1.5 million time deposit account with the proceeds of a US\$2.5



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million secret loan from the Boca Agency. The remaining loan proceeds were deposited at BCC Nassau. There are no Account Opening Forms or written authorization from Bilbeisi.

Awan was also the manager of BCC Panama when Bilbeisi and Coffee Inc. opened letters of credit IMP 105/84, 106/84, 107/84 and 140/84. These letters of credit were unusual and unique because the funds used to finance the transactions were from BCC Miami but BCC Panama assisted in administering the letters of credit. BCC Panama disbursed the funds, and was reimbursed by BCC Miami. From the US\$4.4 million received from BCC Miami in payments, less than US\$1 million was paid to the named beneficiary, Financiera Del Atlantico S.A. and over US\$3.4 million was disbursed to a bank in New York resulting in millions of dollars in payments to Noriega connected companies and individuals.

Awan was convicted in Tampa this past summer on money laundering charges. He is in jail awaiting sentencing and is no longer employed by the Bank.

H. Nasim Farooqi

Louis Altemar has alleged that Farooqi was the first BCC official to have an "improper relationship" with Munther Bilbeisi. In fact, Farooqi is the first Bank officer in Miami to have any dealings with Bilbeisi.

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According to Altemar, Farooqi was at BCC Miami in 1982, 1983 and for a short time in 1984 at which time he was transferred to the Tampa agency by Sakhia.

Altemar claims to have witnessed cash payoffs to Farooqi by Bilbeisi and that on several occasions Bilbeisi paid Farooqi's American Express credit card bills as a method of paying bribes to Farooqi. Altemar recalls one American Express bill in the approximate amount of US\$11,000 paid by Bilbeisi. We have determined from confidential sources that Farooqi has never had an American Express card indicating that Altemar was either mistaken in the type of credit card Farooqi used or he was not telling the truth about the bribes.

However, our investigation has corroborated the allegation that Farooqi was in fact the BCC officer who brought Bilbeisi to the Miami Agency. Farooqi was also involved in the issuance of the first letter of credit for Bilbeisi in 1982-83 prior to the arrival of Hamid Khan.

We have learned that Farooqi left the employment of BCC sometime in 1987 but apparently has stayed in communication with Bilbeisi regarding the pending Mura International litigation. In July, 1990, attorney Ed Davis who is representing BCC in the Mura case received a telephone call

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from Pakistan from Farooqi who explained that he is a close personal friend of Bilbeisi and would testify that BCC has stolen over US\$1 million from Bilbeisi.

**I. M.U. Rehman**

M.U. Rehman served in the Miami Regional Office under A.R. Sakhia from early 1983 to the end of 1986. In 1983, 1984, 1985 Rehman served on the Miami Regional Credit Committee and was directly involved in the US\$2.5 million secret loan to Bilbeisi's companies from the Boca Raton Agency in December 1983 as well as many other extensions of credit and overdrafts to Bilbeisi thereafter.

When interviewed by us on July 3 & 4, 1990, Rehman was confronted with documents relating to the US\$2.5 million Boca Raton loan. These documents included the Miami Regional Office CLP which was never forwarded to London; debit, credit and transfer documents showing that the proceeds of this loan were transferred on December 23, 1983 to Munther Bilbeisi's personal accounts in Panama through the Bank's internal accounts; and selected correspondence from the files of the Central Credit Committee regarding this loan.

When confronted with these documents Rehman stated that:

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- He had made a telephone call and sent a telex to London advising London of the intention of the Boca Raton Agency to issue a loan to Bilbeisi's three container companies. In his telex and telephone call, however, Rehman represented to London that a complete credit proposal was being prepared for the Central Credit Committee and that no funds would be disbursed before completion of the documents. The date of the telephone call was December 28, 1983, five days after the loan proceeds had been disbursed to Bilbeisi accounts in Panama and Nassau which had been created on the same day.

- In fact as Rehman admitted no CLP was ever sent to London for authorization for this US\$2.5 million loan and the funds had already been disbursed by the Boca Raton Agency, although he disclaimed knowledge of how the funds got to Panama and Nassau.

- His signature appeared on the Miami Regional Credit Office CLP as the approving officer but that the lending limit for the Miami Regional Office was only US\$500,000 and this loan to Bilbeisi greatly exceeded this limit.

- Rehman stated that his telephone call and telex to London on December 28, 1983 and his signature of the Regional

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CLP were made at the direction and insistence of A.R. Sakhia who wanted this loan made to Bilbeisi. .

- Rehman stated that he knew the loan was not properly collateralized and if the decision had been left to him, this loan to Bilbeisi would never have been made.

- He further stated that the manner in which these loan proceeds were filtered through the Bank's internal IBF accounts to Panama and to Nassau suggested that someone other than Bilbeisi had to be the architect of such a maneuver. Rehman stated that both A.R. Sakhia and Nadim Hasan had the access and the expertise to structure these transactions.

- Rehman stated that it would not be possible for this loan to have been made, proceeds disbursed, and the London Central Credit Committee by-passed without the complete knowledge and authorization of A.R. Sakhia even though Sakhia's signature or initials do not appear on any of the documents.

- Rehman admitted that all subsequent notices from the Central Credit Committee inquiring about the status of the CLP were ignored by Miami at the instruction of Sakhia. He further admitted that this US\$2.5 million loan was never carried as a Bilbeisi liability when the bank calculated Bilbeisi's credit standing for the purpose of extending

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overdraft facilities, creating margin accounts or submitting other CLP's to London. In other words, Miami represented that the US\$1.8 million in guarantees were adequate collateral for what was in reality over US\$5 million in loans and overdrafts in 1984.

- Under further questioning regarding some of Bilbeisi's other transactions through BCC, Rehman stated that after the internal auditors report of June 29, 1984 very little was done to correct the criticisms regarding the Bilbeisi accounts. Rehman stated that the report written by Saleem Siddiqi on February 6, 1985 and the February 15, 1985 letter of Imtiaz Ahmed were ignored by Sakhia. At the instruction of Sakhia, Rehman finally prepared a response to the Bilbeisi criticisms. This response, dated March 27, 1985 ignored most of the issues raised by the London officers. Ex. 55.

- Rehman admitted that BCC Miami should have suspected that Bilbeisi was smuggling coffee into the U.S. in violation of the quota system, especially when correspondence was received from Bilbeisi consistently waiving major discrepancies and ordering BCC to release documents and payments because the coffee was already in Bilbeisi's warehouse. Rehman agreed that the goods could not have been

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received prior to release of documents and funds without bypassing usual Customs control.

- Rehman further stated that the issuance of multiple cashier's checks to payees as instructed by Bilbeisi was wrong and should not have been done especially since letters of credit were already opened to buy the coffee. Again, Rehman's position was that this could never have been approved without the knowledge and direction of A.R. Sakhia. The same would apply to the acceptance and immediate crediting of post-dated checks for the benefit of Bilbeisi.

- Rehman further admitted that his signature appeared on some of the transfer vouchers sending Bilbeisi's funds to Nassau in September 1984. He claimed that Sakhia issued instructions to transfer these funds to Nassau. Rehman claimed he did not know the real purpose for these transfers nor did he know how the funds were returned to Bilbeisi's U.S. accounts.

Rehman described Sakhia as autocratic and vindictive but very innovative when it came to weaving in and out of complex transactions. Sakhia was a "master of marketing" but moved

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in sometimes secretive ways mostly through trusted associates.<sup>99</sup>

Rehman stated that subordinates did not argue with Sakhia if they valued their careers.

Rehman stated that under Sakhia the Miami Regional Credit Committee was merely a rubber stamp for decisions that Sakhia had already made. It had no real authority on any major credit issue except as dictated by Sakhia.

Finally, Rehman had no explanation for the US\$2.5 million deposit shown in the May 1985 statement for Munther Bilbeisi's Boca Raton account. He agreed that it was suspicious and reflected a possible fraud.

**J. Sadiq Hamidani**

Hamidani was the assistant manager of BCC Boca Raton Agency when it first opened in 1983. He reported to the manager, Nadim Hasan. Hamidani signed the loan documents and internal vouchers concerning the US\$2.5 million loan from Boca Raton by Bilbeisi and his related companies. He did so

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<sup>99</sup>This characterization of A.R. Sakhia and Sakhia's involvement in extending favorable treatment to Munther Bilbeisi was corroborated by many BCC officers who were interviewed, the highest ranking of which was Mr. S.U. Sakrani whose description of instructions he received from Sakhia were similar to those described by M.U. Rehman.



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at Hasan's direction after witnessing both Hasan and Sakhia personally negotiating the loan with Bilbeisi.

Hamidani was one of two signatories on the check issued to Munther Bilbeisi from an internal BCC Miami account at Pan American Bank for US\$50,000 in 1983. This check was cashed by Bilbeisi at Pan American Bank. Hamidani had no explanation for that check.

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V. HEATHER WYSER-PRATTE

A. Background:

Heather Wyser-Pratte is a 47 year old former BCC customer currently residing in Palm Beach, Florida. Ex. 114. According to her attorney, Charles Ruffner, Pratte was born into a wealthy family and has always received her financial support and income from various family trust accounts. As a result, her lawyer claims that she has always relied upon accountants and bankers for her tax planning.

Late in 1982, Pratte meet Dr. Alberto Calvo at a cocktail party. Dr. Calvo had been hired by BCC in late 1970 to serve as a Senior Marketer in South America, and in 1981 he had been posted to Washington, D.C.<sup>100</sup> Calvo's duties included attracting deposits to BCC, and he was responsible for Pratte's introduction to Nadim Hasan at the Miami Agency in 1983.

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<sup>100</sup>Dr. Calvo is a citizen of Argentina and currently resides in the Dominican Republic. He resigned from BCC in 1988 and began working for Gaith Pharon, the target of a pending federal criminal investigation into a transaction involving Centrust Bank and BCC concerning the purchase of U.S. \$25 million of Centrust commercial paper.

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B. Bank Accounts:

1. BCC Cromwell Road

On February 7, 1983, Nadim Hasan referred Pratte's account to Shahid Hyatt Khan at BCC Cromwell Road.<sup>101</sup> Ex. 115. Nadim Hasan prepared the Account Opening Form for Pratte, and requested that she be given a numbered manager's ledger account.<sup>102</sup> The form was forwarded to Shahid Hyatt Khan by memo dated February 7, and in that memo Khan was instructed to route all correspondence concerning the account to Nadim Hasan.<sup>103</sup> Ex. 116. As a result, a numbered account was opened for Pratte on February 9, 1983 with any initial deposit of US\$650,200, wire transferred from the Bank of New York. Ex. 117.

Pratte claims that when she opened the account she explained to a Bank officer whose name she cannot now remember that she wanted an "interest bearing tax-free" account. In response, the unnamed Bank officer advised her

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<sup>101</sup>Shahid Hyatt Khan's aunt is married to Nadim Hasan. At the time of the introduction, Hasan was employed at the Miami Agency. Nine months later, in December, he was made manager of the new Boca Raton Agency.

<sup>102</sup>The Account Opening Form did not provide information as to Pratte's occupation or any references on her behalf.

<sup>103</sup>The Cromwell Road manager, Nasrullah Khan, and his assistant manager, S.H. Khan, were the only employees empowered to operate this confidential numbered account.

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to open a time deposit account in London. Pratte claims that as far as she knew, based upon her discussion with this officer, that her London account was tax-free.<sup>104</sup>

Pratte's Cromwell Road time deposit account had a term of one month and was consistently renewed. Customarily, when an account is opened in the United Kingdom, a "Composite Rate Tax Declaration" form is completed by the account holder. The form establishes whether the account holder is a resident of the United Kingdom and therefore subject to liability in that country. Pratte completed and signed this form 3 years after the account was opened, on April 24, 1986. Ex. 118. On the form she declared she was not a resident of Britain and thus not subject to British tax on interest earned. An explanation as to why this form was not filled out for over three years, or why it was not filled out upon the opening of the account, has not been provided to us. Nevertheless, the interest income earned by Pratte on her Cromwell Road account was not reported to the British Government throughout the life of the account.

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<sup>104</sup>Since the Account Opening Form was prepared by Nadim Hasan, it is likely that he is Pratte's unidentified Bank officer. Hasan admitted to us that he had conversations with Pratte about opening the London account, by denied giving her any tax advice.

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2. BCC Boca Raton.

In December, 1984, Pratte requested that US\$450,000 be transferred from Cromwell Road to the Boca Raton Agency for a potential real estate transaction. Ex. 119. On December 3, 1984, Pratte provided Nadim Hasan a letter of instruction regarding the distribution of those funds upon their receipt from Cromwell Road, and on December 12, 1984, Nasrullah Khan sent a memo to Hasan acknowledging the transfer of the funds to the Boca Raton Agency.

Shortly thereafter, on December 31, 1984, a demand deposit account was opened in her name at the Boca Raton Agency for the stated purpose of "facilitating transfers with Cromwell Road." Ex. 120. The opening deposit was US\$449,750 (the US\$450,000 transferred from Cromwell Road less transfer charges). Ex. 121. In January, 1985, a US\$50,000 check from Pratte's husband was deposited into the account, Ex. 122 and on February 8, 1985 the total balance in the account, US\$499,875 was transferred back to Pratte's BCC Cromwell Road account. Ex. 123.

On February 19, 1985, Pratte gave Hasan several checks totalling US\$226,627.57. These checks were deposited into her Boca Raton account (with or without her knowledge) and on March 4, 1985 the entire account balance was transferred to

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Cromwell Road, and Pratte's Boca Raton account was closed.  
Ex. 124.

This account remained opened for approximately a three-month period, and was a BCC demand deposit account. According to the federal banking regulations controlling international banks, the duration of demand accounts at an international bank for U.S. citizens may not exceed one month, unless the account is used strictly for international business.

3. **BCC Regent Street**

In July, 1988, Francesca Garrard, assistant manager at Cromwell Road, received a telephone call from Tariq Jan, then the manager of the Boca Raton Agency. Ex. 125. Jan informed Garrard that Pratte wanted to close her London account and pick up the cash at the Boca Raton Agency. At the time, Pratte's account balance at Cromwell Road was over US\$1 million. Garrard informed Jan that the Bank did not have sufficient funds for such a withdrawal and that it was against Bank policy to permit a withdrawal in that amount. Garrard inquired as to the reason for the withdrawal and was informed by Jan that it was due to Pratte's impending divorce. Pratte had previously explained to Jan that the funds in the account belonged to her daughters, and she did

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not want her estranged husband to learn of the account and attempt to seize or attach it as part of the divorce proceeding. Garrard and Jan discussed the possibility of transferring the funds to Switzerland, but ultimately decided instead that it would be better to transfer them to BCC Regent Street. On July 14, 1988, Garrard received a letter from Pratte containing the formal request to make that transfer. Ex. 125.

Early in July, Tariq Jan called K. K. Misri, the manager at Regent Street, and instructed him to open a numbered term deposit account for Pratte at that branch. Ex. 126. Jan advised him that the initial deposit of over US\$1 million would be transferred to him from Cromwell Road. Misri expressed concern over the amount of the initial deposit. In response, Jan explained that Pratte was having marital problems and wanted to move her funds from Cromwell Road to another branch to establish a joint account for herself and her daughters. On July 14, 1988, Jan sent a letter to Misri enclosing an Account Opening Form and signature card executed by Pratte. Ex. 126.

Ms. Garrard at Cromwell Road was concerned that the funds which were to be transferred might be the subject of a court order in a divorce proceeding, and on July 27, 1988 she

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sent a memo to I.K. Patel in London requesting guidance. Patel subsequently instructed Garrard to transfer the funds as requested. Ex. 125.

On August 11, 1988, Jan transmitted a new Account Opening Form (listing Pratte and her daughters as joint account holders) to K.K. Misri at Regent Street. Ex. 127. At about the same time, Regent Street received a check from Cromwell Road for US\$1,021,287.96, which represented the total balance in Pratte's account at Cromwell Road and her initial deposit into the new Regent Street account. The Regent Street account was formally opened on August 12, 1988.

This transfer was the only deposit to Pratte's Regent Street account during its lifetime. The account rolled over on a monthly basis, and the monthly statements and term deposit receipts were sent to Tariq Jan at Boca Raton regularly. Ex. 128. Pratte's file was maintained in the desk of Tariq Jan's secretary, although Pratte did not maintain an account at that Agency. Jan stated that he regularly mailed the Regent Street statements and receipts to Pratte at her home in Palm Beach. However, she frequently telephoned him asking for copies of those statements because she said she had lost them. For this reason, he maintained a separate file for her and her time deposit statements in a



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location which was handy to him but separate from other Boca Raton Agency accounts. In addition, Tariq Jan had directions to Pratte's home in his brief case at the time of the IRS search of the Boca Raton Agency in May, 1989. Jan had stated that these directions were contained in his brief case, and were in his handwriting, because Pratte had invited him and his family to Palm Beach for a tour to be conducted by her. Jan never took advantaged of this invitation, but did copy down the directions and kept them in his brief case.<sup>105</sup>

**C. Pratte's IRS Tax Problems.**

During the last week of April, 1989, Tariq Jan wrote a memorandum to file memorializing a telephone conversation he had had with Pratte that week. Ex. 129. Pratte had expressed some concern to Jan about what, if any knowledge, the IRS had of her London account. She stated that she did not want the IRS to know about that account.

Jan responded to Pratte that the Bank would be required to fully answer an IRS subpoena about her account if such a subpoena were delivered. Pratte then retorted that she had nothing at all to hide. Jan was troubled by this

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<sup>105</sup>The IRS is extremely suspicious about this. According to Pratte's lawyer, her home was searched in the fall of 1989, and IRS agents asserted to her lawyer that they believed original Boca Raton Agency records had been secreted there. Naturally, none were.

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conversation because it implied that Pratte had not reported the existence of her London account to the IRS and may have evaded taxes on interest earned.<sup>106</sup> Accordingly, Jan requested guidance from the Regional Office in New York, which referred him to Bank counsel in Miami. Ex. 130. Subsequently, a criminal referral was filed with the U.S. authorities, indicating the Bank's suspicion that Pratte had failed to report her London account or the interest earned on it as required by U.S. law.<sup>107</sup>

**D. The Closing of Pratte's London Account.**

On September 11, 1989, Pratte telephoned Frederick K.H. Wan, assistant manager at Regent Street, requesting that the balance of her account be transferred to a bank in Switzerland. Ex. 131. Wan informed Pratte that telephonic instructions were unacceptable, and that her request must be made in writing. In response, Pratte sent a telefax message dated September 11, via the Picadilly Circus branch which arrived at Regent Street on September 15 directing that the

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<sup>106</sup>Neither the Boca Raton Agency nor Cromwell Road were required to file with the IRS any reports of interest earned on Pratte's account. Such reporting was entirely Pratte's obligation.

<sup>107</sup>This referral was made on July 17, after the IRS search of the Boca Raton Agency in May, 1989. At the time of the referral, Pratte apparently was already the target of an IRS criminal investigation.

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balance in her account be transferred to the Swiss Bank Corp. of Geneva, Switzerland.

On September 27, 1989, Abdi Zand, U.K. regional counsel, advised Regent Street that Pratte's written instructions should be complied with in the normal course of business. Misri, the Cromwell Road manager, then instructed Wan to contact Pratte since the signature on the letter of instruction differed from her signature card maintained in the account file.

On October 24, 1989, K.K. Misri spoke to Pratte regarding her request to transfer the balance of her account to the bank in Switzerland. Ex. 126. During their conversation, Pratte expressed concern over the secrecy of her account, the pending criminal charges against the Bank and the ongoing IRS criminal investigation. In addition, Pratte made a passing reference to U.S. tax problems that she herself was having.

On December 8, 1989, a new letter of instruction was sent from Pratte's attorney to Regent Street. Ex. 132. This letter of instruction directed that the balance in Pratte's account be sent to Chase Bank of Florida in St. Petersburg instead of to Switzerland. The stated purpose of this transfer was to make the funds available for the payment of

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Pratte's tax liabilities. After referring the letter to the legal department in London, Regent Street transferred the funds on December 18, 1989 and closed Pratte's account.

Since the closing of Pratte's account at Regent Street, BCC has had two further contacts with Pratte. On January 17, 1990, Pratte signed a specific consent for the Bank to disclose her London account activity to the IRS. Ex. 133. That consent had been presented to BCC accompanied by a request for copies of Pratte's account files. Second, on May 1, 1990, Pratte attempted to open an account at the Leadenhall office of BCC in London. Ex. 134. Pratte was interviewed by assistant manager Ibad Khan. Khan later reported that Pratte appeared extremely nervous and upset. During the interview, she placed a bag at the center of the table and implied that it contained the cash for an opening deposit. It is possible that the bag also contained a recording device and that this meeting was a ploy by Pratte to substantiate her claim that London time deposit accounts had been and were being represented by Bank officers as "interest bearing tax-free" accounts for U. S. residents. In fact, Pratte did inquire of Khan as to the possibility of opening a tax-free interest-bearing account. Ibad Khan, complying with the Bank's "know your customer" directives,

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refused to open an account for her, and declined to provide her with any tax advice, because he did not feel that he had received sufficient information from her to justify the opening of the account.

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VII. POTENTIAL CRIMINAL LIABILITY

A. The Attitude of U. S. Prosecutors and  
Investigators

As noted in the Introduction, the U.S. prosecutors have already orally advised the Bank that it is the target of a criminal investigation centering upon a "Klein Conspiracy." In considering this or other possible charges which the prosecutors may consider bringing against BCC, it is necessary to first describe the general attitude which some of them have taken toward the Bank. This attitude has considerably affected their approach to the Bank, despite repeated efforts to correct it.

Many prosecutors and investigators hold a view of the Bank which is extremely cynical and profoundly prejudiced. They believe that BCC is essentially a narcotics money laundering institution.<sup>108</sup> This was the basic approach taken by the Tampa prosecutors and investigators in 1988, an

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<sup>108</sup>This is a perception which the Bank's attorneys have consistently endeavored to alter in a number of direct meeting involving Government prosecutors, investigators and bank officers. These meetings seem to have met with some success since the formerly harsh attitude of these individuals has considerably softened over the past twelve months. Other events, however, such as the Centrust/BCC situation have had a noticeably adverse affect and have tended to reinforce old attitudes.

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approach which ultimately led in October of that year to the criminal indictment of BCC.<sup>109</sup> The fact that BCC pled guilty to the Tampa money laundering charges only because of the strict corporate criminal liability theories of U.S. law has done nothing to improve its image in their eyes. Indeed, many of them are convinced that the narcotics money laundering activities of the Bank officers convicted in Tampa were activities expressly condoned and encouraged by the highest levels of BCC management.<sup>110</sup>

Prosecutors and investigators in Miami share this attitude, although to a lesser extent. Essentially, it is their view that BCC is a "full service bank" in the worse sense of the phrase. They believe that it is official Bank policy to actively seek out and market high net-worth individuals, and to gain from them large and frequent deposits, preferably in cash. They see such marketing efforts as being done at best without regard for the source.

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<sup>109</sup>United States v. Amiad Awan, et al. (Case No. 88-330-Cr-T-13(B)).

<sup>110</sup>The Bank's defense of its employees and the payment of their attorneys' fees is viewed by some Government officials as motivated solely by the desire of the Bank's management to prevent the indicted employees from exposing the role of higher ranking officers in illegal money laundering activities. Thus, the Bank's support of its indicted employees has been a major source of frustration and anger for U. S. prosecutors and investigators.

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of the customer's cash, and at worst with tacit acceptance or even actual knowledge that in many cases the customer's money is derived from illegal enterprises, most notably narcotics.<sup>111</sup>

In the eyes of some prosecutors and investigators, the Bank's "services" are not limited merely to accepting the proceeds of illegal activities. They believe that BCC officers and employees, with express upper management approval, also actively assist and even advise their customers on the most effective methods of hiding their money and evading taxes.

Money, for example, is seen to be hidden or "laundered" by the constant, carefully controlled transfer of funds from one account to another within BCC and its world-wide branches or between BCC and other banks related to BCC, thus making the money almost impossible for U. S. law enforcement to trace. Since the Bank collectively "knows" that the accounts involved in such transfers are, for the most part, controlled

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<sup>111</sup>Manuel Noriega, the Government's current bête noir, is often cited as an example. As far as the Government is concerned, Noriega is universally acknowledged and recognized as a world-class narcotics trafficker. Admittedly, Noriega has been a customer of BCC, and the Government has referred on numerous occasions to the former Panama Agency manager, Anjad Awan, as "Noriega's personal banker." The Government sees this BCC-Noriega connection as proof positive of its belief that BCC is a narcotics money laundering institution.



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by the same individuals, it is easy for U. S. law enforcement to conclude that the Bank actively condones and assists the laundering of illegal proceeds or flight capital on a worldwide scale. Since many inter-agency or inter-bank transfers are particularly complex and difficult to accomplish, and are far beyond the normal business or banking aptitudes of the customers themselves, may law enforcement officers also conclude that such activity can only be accomplished upon the careful advice of the Bank's own officers.

Customers are seen to be assisted in tax evasion through any number of schemes, but one of the most common is the cash collateralized loan. Many prosecutors see no legitimate purpose for a customer to keep cash in a foreign bank account and use that cash as collateral for a loan made in another country or in the United States. They consider such loans as inherently suspicious, if not outright fraudulent, especially when the cash account is held in a corporate name and in a country where secrecy laws prevent immediate access to loan or account records by U. S. investigators. Such a transaction becomes even more suspicious when the loan is issued to a corporation instead of an individual, especially if it is a Panamanian "shelf" corporation.

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Other tax evasion "assistance" is seen in the failure to file currency transaction reports on large cash transactions in the United States; in making cash available without the normal "paper trail" of a check drawn directly upon a particular, readily identifiable local account; or in making U.S. dollars available to U.S. citizens or residents in foreign countries for the purpose of spending those dollars abroad or in bringing those dollars back to the United States (without filing the required report by the customer). As far as some prosecutors and investigators are concerned, none of these activities can take place without the knowledge and assistance of the Bank's officers and employees. Moreover, many of them are convinced that these activities occur on a daily basis in BCC.

Since the Bank's various officers are supervised by management, then, as far as the prosecutors are concerned, the upper-management itself must be aware of these activities. Since these activities have continued for years, then they must have the approval and encouragement of upper-management. Accordingly, the entire Bank, in their eyes, up to and including its highest levels of management, constitutes a sort of money laundering empire whose primary objective has been to attract, to purposely assist and to

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keep large volume customers who need to hide their money and evade taxes.

It is from this unfortunate point of view that the prosecutors and investigators will review facts relating to the Bank and its customers and make their determination as to whether the Bank should be charged with any crimes in connection with their investigation of Bilbeisi, Calderon, Otano, Villalba or Pratte.

**B. Potentially Applicable Criminal Statutes and Theories of Liability**

We do not know how much of the information contained in this report is known by federal prosecutors and investigators. We have been told (but have not been able to confirm) that Louis Altemar and Jay Anthony Aramburo have testified before the U. S. Grand Jury in Miami, so the overall smuggling scheme is probably known. In addition, Calderon, Otano, Villalba and Pratte have each consented to the disclosure of at least some of their London account activities, and a great number of documents was seized during the search of the Miami Agency in October, 1988 and the Boca Raton Agency in May, 1989.

Moreover, the federal investigators clearly have access

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by means of grand jury subpoenas to documents maintained by other banks, such as Atlantic Bank in Boca Raton.

On the other hand, there are certainly facts contained in this Report which federal investigators do not have access to. For example, they have not had access to any account records or information maintained at the Bank's Panama Agencies, nor have they interviewed current employees such as Majaz Malik or Hassan Parvez.

In addition, we have not been able to secure and review the personal or corporate tax returns filed by Bilbeisi, Calderon, Otano, Villalba, their related companies or Pratte. Thus, we do not know what, if anything, was incorrectly or falsely reported to the IRS by them. Accordingly, it is not possible to list all of the potential theories of criminal liability which may be used against the Bank, or to list all of the possible criminal statutes of the United States which U. S. prosecutors might allege have been violated. The following subsections, however, delineate some of the theories of criminal liability which might be pressed against the Bank.

(1) **Corporate Criminal Liability**

Under U. S. law, a corporation may be held responsible for the criminal acts of its employees when those acts are

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committed within the scope of the employee's employment and are motivated at least in part by an intention to benefit the corporation. Courts generally have held corporations liable for the acts of supervisory and managerial level employees, although in some cases corporations have been held criminally liable for the acts of lower echelon and non-supervisory employees as well.

The phrase "scope of employment" has been very broadly defined to include acts performed on the corporation's behalf in the performance of the employee's general line of work. An employee's scope of employment includes acts which are within the employee's "apparent authority," which means the authority which outsiders would normally assume an employee to have, judging from his position within the corporation and the circumstances surrounding his past conduct. The breadth of the phrase "scope of employment" renders most arguments to the contrary very difficult to support.

In addition to determining whether an employee acted within the scope of his employment, the courts have also generally required that the employee have acted with at least a partial intent to benefit the corporation before corporate criminal liability will be imposed. That an employee's acts may be unlawful and even contrary to corporate policy does

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not absolve the corporation of legal responsibility for those acts. Even if the employee's actions are potentially harmful to the corporation, or if the corporation receives no actual benefit from them, liability may be imposed as long as the employee acted with an intent to benefit the corporation. As long as this is at least part of the employee's intent, the corporation may be held criminally liable for the employee's actions even if no benefit accrues to the corporation or even if the actions result in harm or injury to the corporation.

In cases where intent to benefit the corporation is completely lacking criminal liability has not been imposed. Such cases usually involve employee wrongdoing in the nature of bribes, kickbacks or embezzlement, the type of activity which ordinarily would not be in the interest of the corporate employer. Where an employee has been bribed to perform acts which are criminal, however, if his motive is still at least in part to benefit the employer, then criminal liability may be imposed upon the corporation. As already noted, Louis Altemar has claimed that at least three BCC employees received payments from Bilbeisi for "services" rendered. These were Hamid Khan, Nadim Hasan and Nasem Farooqi. We have not been able to substantiate Altemar's allegations, and Khan has denied them. While the bribery

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claims militate against imposing corporate liability, they do not prevent it. There are no bribery claims against Sakhia, and that even if the bribery were proven, a partial intent to benefit the corporation even on the part of bribed employees will suffice to impose liability.

**(2) Conspiracy:**

If two or more persons conspire either to commit any offense against the United States, or to defraud the United States or any of its departments or agencies in any manner or for any purpose, and one or more of the persons involved performs any act to accomplish or further the purpose of the conspiracy, they may be fined up to US\$500,000 and imprisoned for up to five years.<sup>112</sup>

Section 371 of Title 18 of the United States Code is the general conspiracy statute and sets out two distinct offenses: (1) conspiracy to commit an offense against the United States; and (2) conspiracy to defraud the United States.<sup>113</sup> To establish a violation of either offense under Section 371, the government must prove beyond a reasonable

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<sup>112</sup>18 U.S.C. § 371. The term "person" includes both individuals and business entities such as corporations.

<sup>113</sup>Tax-related conspiracies have been prosecuted as both conspiracies to commit an offense against the United States and also as conspiracies to defraud the United States.

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doubt: (1) that there was an agreement by two or more persons; (2) to commit an offense against the United States or to defraud the United States; and (3) that an act in furtherance of that agreement was committed.

The gist of the offense of conspiracy is an agreement to commit an illegal act, or to accomplish a lawful purpose by criminal means. An agreement is rarely proved by direct evidence but is usually inferred from the circumstances of the case. It is not necessary for the prosecution to prove that there was a formal agreement or that the parties stated in writing or in words what the agreement was or how it was to be effected. It is sufficient to show that there was a mutual understanding to accomplish an unlawful purpose or to accomplish a lawful purpose by unlawful means, and this can be established by the individual actions of the parties. The agreement may thus consist of nothing more than a tacit understanding between the parties. It is not necessary for the government to prove that the parties agreed on the details of the conspiracy, but proof of the "essential nature" of the plan is necessary.

The offense of conspiracy necessarily involves two or more persons with guilty knowledge on the part of each, because an agreement is the essence of the crime. A



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corporation is a "person" under the law and can be indicted and tried as a conspirator.

In an indictment for conspiring to commit an offense against the United States, it is not necessary to allege all of the elements essential to the commission of the offense which is the object of the conspiracy. However, a conspiracy to commit a particular crime cannot exist without at least the same degree of criminal intent necessary for that offense itself. Given the attitude of the prosecutors and investigators toward the Bank, it is possible that they may view the circumstances surrounding the letters of credit and the cashier's checks as evidence of the Bank's involvement, particularly through the actions of A. R. Sakhia and Hamid Khan, in Bilbeisi's smuggling operation. This could mean that the Bank might face criminal indictment in Miami for conspiring with Bilbeisi, Calderon, Villalba, Otano and others, to violate Title 18 of the United States Code: Section 542 (introducing goods into the United States by means of false writings or statements); Section 545 (smuggling goods into the United States); Section 548 (removing or repacking goods in warehouse); Section 1001 (false statement to any department or agency or the United States); and Section 1956 (money laundering in relation to

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smuggling goods into the United States or in relation to illegal narcotics trafficking; or to violate Title 31 of the United States Code, Sections 5313 and 5312 (failure to report cash transactions over US\$10,000).<sup>114</sup> Each of these charges is a felony. For a corporation, punishment may be a fine of up to US\$500,000. For an individual, punishment may be a fine of up to US\$250,000 or two years imprisonment or both.

**(3) Klein Conspiracy:**

A conspiracy to defraud the United States or one of its agencies includes a conspiracy to impede, impair, obstruct or defeat the lawful functions of the Treasury Department in the collection of income taxes.<sup>115</sup> Unlike a conspiracy to commit an offense, a conspiracy to defraud the United States or any of its departments or agencies carries no requirement that the fraud consist of conduct which could be held illegal under some other law or rule. The crime of conspiracy to

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<sup>114</sup>We do not know how much information the government has available to it, and accordingly it is not possible to list all of the statutes which might be involved in a conspiracy prosecution. In addition, Section 1956 did not become law until October 1986. As a result, a conspiracy to engage in money laundering would have to be confined to activities taking place after that date.

<sup>115</sup>United States v. Klein, 247 F.2d 908 (2d Cir. 1957), cert. denied, 355 U.S. 924 (1958) is considered the lead case for this theory of prosecution. Such a conspiracy is commonly referred to as a "Klein Conspiracy".

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defraud the United States consists of acts that interfere with or obstruct a lawful governmental function of one of the government's agencies or departments.

For a Klein Conspiracy, the prosecution must present evidence establishing that the intent of the parties was to impede the IRS. However, tax evasion need not be the only purpose or even the chief purpose of the conspiracy. If a tax evasion motive plays any part in a scheme, the offense has been committed even though the conspiracy may have had other purposes as well.

While some tax purpose must be shown, the government does not need to prove by direct evidence that the parties knew of the actual tax consequences of their scheme.<sup>116</sup> The

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<sup>116</sup>In the money laundering case of United States v. Sanzo, 673 F.2d 64 (2d Cir. 1982), cert. denied, 459 U.S. 858 (1983), it was argued that the Defendant (Sanzo) could not be guilty of obstructing the Treasury Department, because there was no direct evidence that his co-conspirator (Trainello) knew that Sanzo would not report the laundered money or that Sanzo knew that Trainello would claim tax deductions. In rejecting the argument, the Court stated:

"Existence of and participation in a conspiracy with the requisite criminal intent may be established ... through circumstantial evidence .... There was sufficient circumstantial evidence from which the jury could find in this case that Trainello knew that Sanzo was unlikely to report as income large sums of laundered money, and that Sanzo equally knew that Trainello would have to

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existence of and participation in a Klein Conspiracy with the required criminal knowledge and intent may be established through circumstantial evidence.

"Klein Conspiracies" have been applied to money laundering schemes. In the case of United States v. Browning, 723 F.2d 1544 (11th Cir. 1984), the government had conducted an undercover investigation into illegal drug trafficking in South Florida. In that case, the money laundering scheme used by the conspirators consisted of converting money received from marijuana sales into other forms and returning the money to its owners as the proceeds of fictitious loans. As a result, income otherwise taxable was disguised as the proceeds of a non-taxable loan. The court found that this scheme impeded the lawful operations of the IRS, and upheld the application of a Klein Conspiracy theory.

The taxes involved need not be the taxes of the parties to the conspiracy itself, and a Klein Conspiracy can include transactions in which the parties do not directly receive tax benefits themselves. If one person conspires to defraud the United States for the direct benefit of another and the

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assign on his books some legitimate purpose for the payments that could form the basis for a tax deduction."

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indirect benefit of himself, that person may be held to have committed a Klein Conspiracy. The indirect benefit to the second party to the conspiracy need not be tax benefits, but may include payments for services rendered.

Finally, it is not necessary for the government to prove that the IRS was actually impeded in its efforts to assess and collect taxes. The illegality of the conspiratorial agreement does not depend upon the success of the conspiracy. Indeed, even the impossibility of attaining the goals of the conspiracy is irrelevant to the guilt of the conspiring parties.

A six-year statute of limitations applies to Klein Conspiracies, and that statute begins to run from the last overt act alleged and proved. Hence, a Klein Conspiracy which began in 1982 but whose last overt act occurred in 1986 may be prosecuted any time up to the anniversary date of that act in 1992.

From the point of view of a prosecutor, there may be ample evidence to circumstantially indicate that the Bank, through its employees, A. R. Sakhia, Nadim Hasan and Hamid Khan, engaged in a conspiracy with Munther Bilbeisi (and his various companies), Calderon, Otano and/or Villalba (and their various companies) to defraud the United States by

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impeding the lawful functions of the IRS. It is unlikely, however, that the government will find evidence of a conspiracy to defraud the United States in connection with Heather Wyser-Pratte's account, as long as Pratte is unable to identify the individual at the Bank who gave her the alleged "tax advice" and as long as her testimony remains as vague and ambiguous as it has been in the past. However, it is entirely possible that the government might include the Wyser-Pratte situation in one conspiracy indictment involving Bilbeisi, Calderon, Otano and Villalba, hoping that the stronger parts of the case relating to Bilbeisi would carry the weaker parts of the case relating to Wyser-Pratte.

Such a conspiracy charge could specifically include the Bank's activities, through Majaz Malik at the Swiss Cottage Branch in London, in relation to the accounts of Calderon, Otano and Villalba maintained there. Jurisdiction could be based upon actions of Calderon, Otano and Villalba committed in the U. S., and if the prosecutors view the Bank as their co-conspirator, then those U. S. based actions could be used as the jurisdictional basis of an indictment against Malik and the Bank. As is noted in subsection (4) below, however, criminal jurisdiction over Malik and his employer could be asserted even if no acts at all had been committed in the

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U.S. In any case, a conspiracy to defraud the United States is a felony for which a corporation may be fined up to US\$500,000, and for which an individual may be fined up to US\$250,000 or imprisoned for five years or both.

(4) **Liability for Actions Performed Outside the United States**

Under recognized principles of U. S. law, the United States may prosecute a foreign citizen or a foreign corporation for a crime committed against the United States even though the crime was performed outside the United States.

There are five general principles of law that permit the extraterritorial effect of U. S. penal statutes. These principles are: first, the "territorial principle," determining jurisdiction by reference to the place where the offense is committed; second, the "nationality principle," determining jurisdiction by reference to the nationality of the person committing the offense; third, the "protective principle," determining jurisdiction by reference to the national interest injured by the offense; fourth, the "universality principle," determining jurisdiction by reference to the custody of the person injured by the offense; and fifth, the "passive personalty principle,"

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determining jurisdiction by reference to the nationality of the person injured by the offense.

When an alien commits a criminal act against the United States on foreign territory, courts in the United States have long held that U. S. jurisdiction may be extended over the act under either the "protective principle" or the "territorial principle."

The protective principle allows a nation's courts to have jurisdiction to enforce its criminal laws when the conduct of the foreigner threatens the nation's security or directly interferes with its governmental functions. Under this theory, even if all the elements of the crime occur in a foreign country, jurisdiction exists because the actions have a potentially adverse effect upon security or governmental functions. There need not be proven any actual effect in the prosecuting country.

In the case of Rocha v. United States, 288 F.2d 545 (9th Cir. 1961), the court applied the protective principle to obtain jurisdiction to prosecute defendants for conspiracy to defraud the United States by making unlawful entries into the United States. The court viewed the violation of U. S. immigration laws as an act that attacked the sovereignty of the nation and thus warranted the application of the



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protective principle. Other offenses which might warrant the application of the protective principle could include conspiracy to impede the IRS, or conspiracy to violate U. S. Customs laws, to falsify Customs documents or to make false statements to Customs.

In the case of United States v. Fernandez, 496 F.2d 1294 (5th Cir. 1974), the defendant was charged with possessing, forging and passing stolen social security checks drawn on the U. S. Treasury. The defendant claimed that the Court lacked jurisdiction because all of the criminal acts had taken place outside the United States. The Court found that it had jurisdiction to prosecute the crime since the defendant's acts prevented the normal disbursement of social security funds to those citizens lawfully entitled to receive them. Although the Court made reference to the territorial principle, this actually appears to be an application of the protective principle to a conspiracy to defraud a U. S. Treasury agency.

The United States has a strong interest in collecting taxes and prosecuting conspiracies to impair the collection of those taxes, and it is likely that the U. S. courts would consider a conspiracy to defraud the United States by interfering with or impeding the IRS in the performance of

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its functions as an action which directly interferes with the U. S. government and therefore falls well within the protective principle of jurisdiction. Even if no act were committed in the United States in furtherance of such a conspiracy, the protective theory will still apply, since under that theory it is assumed that all of the actions occurred in the foreign country in the first place.

U. S. jurisdiction over a criminal conspiracy against the United States could also be justified under the territorial principle. Under this principle, before a nation may attach criminal consequences to an extraterritorial act, the act must be intended to have a detrimental effect in the United States. Acts done outside the U. S. but intended to produce and producing detrimental effects within it will justify the government in punishing the injury as if it had been committed within the country itself. This theory has been successfully asserted even in cases in which the defendant had not performed any act within the United States but was part of a conspiracy in which some of the other co-conspirators' activities took place within the U. S.

In United States v. Inco Bank, 845 F.2d 919 (11th Cir. 1988), the corporate defendant, Inco Bank, was indicted for violation of Section 371 of Title 18, United States Code.

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Inco Bank was a Cayman Islands bank doing business with and maintaining accounts at several banks in Florida but which was not otherwise present in the U. S. The indictment charged that Inco Bank and others conspired in Florida and in the Grand Cayman Islands to defraud the U. S. in violation of Title 18 of the United States Code, Section 371. Specifically, the indictment charged that Inco Bank, through its present and for a 1% fee, was engaged in a money laundering operation designed to smuggle money from the U. S. to the Cayman Islands and to return the money to the U. S. in a form that would conceal the source of the money and enable its owners to avoid payment of U. S. income taxes. The court stated that it is well-settled that the U. S. government has the power to prosecute every member of a conspiracy that takes place in the United States territory, even though some of the conspirators have never entered the United States at all, and even if some of the conspirators never committed any overt acts in the U. S. in furtherance of the conspiracy. In addition, the court noted that a conspiracy which occurs even partly in the United States can be prosecuted in the United States without resort to any theory of extraterritorial jurisdiction. Inco Bank had joined the conspiracy knowing that the conspiracy would function in the

Senator KERRY. On page 3, the report says, and I quote from it, "As with any smuggling operation, the operatives have several essential needs. They required a secure, safe system of financing their transactions. They needed appropriate extensions of credit in the form of loans and overdrafts, without too much formality, and they required a flexible system of payments to their foreign associates in Central America, whether by wire transfer, cashier's check, or both.

Moreover, their import and shipping documents were necessarily incomplete or defective. And so the smugglers needed unquestioning acceptance of these items, in order to ensure prompt, safe payment to their associates in Central America. The BCCI Miami and Boca Raton agencies accommodated these needs."

So essentially, to come back on what Senator Brown was saying, this report—while as you will testify, I think—this report has a slant, purposefully, and is not accurate in all respects, this report does set forth what the needs of these smugglers were, and why BCCI was so important to them. Is that accurate?

Mr. DOUGHERTY. Well, Senator, we haven't seen the report. It's flattery to us that the bank's own attorneys and investigators came to the same conclusion.

Senator KERRY. Let me ask you a couple of questions, with respect to the report, if I can.

The report suggests that Bilbeisi had a partner in his operations, and that that partner, Gerardo Harris, was a close associate of General Noriega. Do you know that to be true, or not?

Mr. DOUGHERTY. We haven't seen the report. I know it to be true that—

Senator KERRY. Do you know it to be true that he had a partner?

Mr. DOUGHERTY. I know it to be true, I know it to be absolutely true.

Senator KERRY. All right, so he did have a partner?

Mr. DOUGHERTY. Yes.

Senator KERRY. And the partner was a close associate of General Noriega.

Mr. DOUGHERTY. Yes.

Senator KERRY. Do you know whether or not part of Bilbeisi's profit was sent to Gerardo Harris in Panama?

Mr. DOUGHERTY. Yes, we know that, because we have the actual checks written by Mr. Bilbeisi.

Senator KERRY. And the report suggests on page 151 that in 1984, Bilbeisi transferred \$560,000 from Coffee, Inc., into Harris, Gerardo Harris-controlled accounts. Is that supported by your documents?

Mr. DOUGHERTY. It is, from the documents produced by Mr. Bilbeisi and his counsel. And that was the connecting link.

Senator KERRY. Now, I would like to ask Mr. Lehrman a couple of questions before we move into coffee, which Senator Brown is going to present for the committee.

It is my understanding that BCCI is now under the control of receivers who have been appointed by the central banks of the various countries. Is that correct, Mr. Lehrman?

Mr. LEHRMAN. There are provisional liquidators.

Senator KERRY. Provisional liquidators.

Mr. LEHRMAN. That's correct.

Senator KERRY. And have the liquidators made any effort to track down the BCCI inside borrowers, and to recover the money that they borrowed from BCCI which is among the missing money?

Mr. DOUGHERTY. Senator, unfortunately—

Senator KERRY. I just want to ask Mr. Lehrman.

Mr. DOUGHERTY. I will, sir, but you understand that the bankruptcy judge in New York has imposed, at the request of the bank, a gag order or a confidentiality order on that.

Now why that was done, why they requested that, I do not know.

Senator KERRY. Well, let me understand this correctly.

A bankruptcy judge—this is the one I think this committee criticized, I criticized, and we wrote a letter I think, and filed an affidavit with the judge—

Mr. DOUGHERTY. That's correct.

Senator KERRY. You're telling me that there is a—I think the gag order applies as to not the process, but as to substance in front of the court. Does it not?

Mr. DOUGHERTY. That's correct.

Senator KERRY. Well, I am asking you about process here. What I want to know is whether or not the liquidators have made any effort to track down the inside borrowers.

Mr. LEHRMAN. The short answer to that, Senator, is no.

Senator KERRY. Do you know why not, or what they are waiting for?

Mr. LEHRMAN. They've indicated that they are pursuing—attempting to pursue an agreement with the Abu Dhabi government, or an unnamed Abu Dhabi entity in order to make a contribution to the bank to, quote "restructure," close quote, the bank, so that the bank can once again function.

Senator KERRY. Well now, the liquidators are working really on behalf of the creditors. Is that not accurate? The liquidators represent the creditors.

Mr. LEHRMAN. That's correct.

Senator KERRY. And there are a lot of creditors out there who think they have some money coming to them, correct?

Mr. LEHRMAN. That is correct.

Senator KERRY. Now the liquidators have an attorney-client privilege, do they not?

Mr. LEHRMAN. Yes.

Senator KERRY. Have the liquidators waived an attorney-client privilege so that the creditors, on whose interests they are supposed to be acting, can investigate the fraud that has occurred?

Mr. LEHRMAN. No sir, they have not. They've instructed their attorneys not to waive that privilege. And I would add that it's rather common in bankruptcy proceedings involving fraud for the privilege between the client committing the fraud and former counsel to be waived by the trustee.

Senator KERRY. I might add that Mr. Clifford and Mr. Altman have invoked an attorney-client privilege to prevent the subcommittee from obtaining certain documents. And I am concerned that there is a sort of potential conflict here, which I want to get at for a minute.

Now, are the liquidators resisting your discovery efforts?

Mr. LEHRMAN. That would be the understatement of the year.

Senator KERRY. Why do you think they are trying to keep these documents secret?

Mr. LEHRMAN. For one reason, we are pursuing a racketeering claim against the bank, which now becomes the estate. To the extent that we can document our racketeering claim, there is less money in there for the estate.

That is inconsistent with the duties of a trustee, which is what these provisional liquidators are analogous to. There are——

Senator KERRY. Well, are the liquidators requesting protective orders to avoid public disclosure of BCCI documents?

Mr. LEHRMAN. Yes.

Senator KERRY. Have orders been granted?

Mr. LEHRMAN. Yes.

Senator KERRY. Why? Why should these documents be kept from public disclosure?

Mr. LEHRMAN. The purported rationale is that these documents contain sensitive information which the liquidators haven't had a chance to go through yet, and that disclosure would somehow endanger the status of the bank.

In our litigation, the counsel for the bank resisted disclosure on the grounds that disclosure would reveal confidential, customer information. And the liquidators say that the creditors of the bank, the \$20 billion worth of creditors, are the customers of the bank. It has been our experience, our limited experience with bank customers, that those—the very same bank customers whose confidentiality is sought to be protected by former attorneys, and now by the present provisional liquidators, are the very people who committed the crimes that closed the bank down in the first place.

Senator KERRY. Would you say that the liquidators have a conflict of interest with the Bank of England?

Mr. LEHRMAN. That would be our judgment.

Senator KERRY. Why do you say that?

Mr. LEHRMAN. Because on one hand, the liquidators were appointed by regulators in three jurisdictions in which the bank was headquartered—precisely because of the, quote “widespread fraud” close quote, perpetrated by the customers, management, and shareholders of the banks.

These are the very same people whose interests—to the extent that the liquidators seek to block disclosure—that the liquidators are protecting.

Senator KERRY. Well, it disturbs me that the liquidators should continue to use lawyers who worked for BCCI as part of the legal team in this process. It seems to me to be a very direct conflict.

Mr. LEHRMAN. Our understanding—we've been advised by counsel for the Republic of Panama, which is pursuing a parallel racketeering action against BCCI for BCCI's alleged efforts to remove General Noriega's money from the—or rather, the Republic of Panama's money into Swiss bank accounts in Noriega's name, that attorneys hired by the provisional liquidators have now taken the legal position that two of the three BCCI entities have no jurisdictional connection with Florida.

On the other hand, in the confidential proceedings, there are documents submitted by the provisional liquidators which are subject

to the confidentiality order which take the exact opposite position. I can't reveal the—

Senator KERRY. Well, give me a simple, lay-person's explanation of what's at stake here. I mean, could American creditors be short-changed as a consequence of the bankruptcy proceedings in New York?

Mr. LEHRMAN. Again, short-changed would be an understatement. The whole point of the proceedings in New York is to remove all of the assets of BCCI in the United States, and bring them into a central location, in a foreign jurisdiction where, allegedly, the money would be parceled out to all the creditors of the bank who include the very customers who committed the frauds that closed the bank down in the first place.

Senator KERRY. You have well articulated the nub of this thing. You have a legal proceeding in New York that may, in effect, frustrate American creditors, as well as enrich the very people who committed this crime in the first place.

Is that accurate?

Mr. LEHRMAN. I couldn't argue with that.

Senator KERRY. And the legal process is, in fact, may stand in the way of our ability to get at the truth, and to be able to try to protect the interests of the smaller person who winds up paying the price here. Is that accurate?

Mr. LEHRMAN. That's accurate.

Mr. DOUGHERTY. Senator, at great expense to underwriters, when we were given less than 2-days' notice, Judge Marino entered orders in the RICO case, in which Lloyd's has the initiative against the bank, giving us the authority, in July, to get these records, July 31, 1991.

We came back to our office, I think on a Thursday, after a Wednesday hearing, and got a 150-page fax from Sherman and Sterling, commencing the bankruptcy proceeding.

At great expense, to protect the interest of underwriters, we participated in the bankruptcy proceeding. You are aware that depositions were scheduled, accelerated discovery.

When the depositions were scheduled, the U.S. attorney's office in New York didn't even go to the depositions, and sent a letter saying we're not coming.

Senator KERRY. Well, I will tell you, the people's the lawyer, is supposed to be the Attorney General. And we have a lot of different layers of peoples' lawyers in this country, between U.S. attorneys and district attorneys and so forth.

Somebody ought to be taking note of the way in which the public may, once again, be victimized in this process. And they ought to be raising a hullabaloo about this, and try to guarantee that whatever liquidation procedure takes place, that criminals are not going to be enriched by it, and that the appropriate protections are going to be put in place to guarantee that the citizens of this country are not going to be out another buck as a consequence of this.

I have taken more time than I meant to. We wanted to look at the coffee scheme. And Senator Brown is going to present that.

Senator BROWN. Thank you, Mr. Chairman.

I wanted to backtrack a little bit on coffee.

As I understand it with the International Coffee Organization, during this period of time had a functioning agreement that attempted to allocate the market by setting quotas for production or for export sales from a variety of countries, and dealt with quotas that might be purchased by importing countries; and that the key enforcement mechanism here, if I understand it, is a certificate of origin for the coffee, which the receiving country then keeps a tabulation as to how much coffee has come in from that country, and how much is allows. Is that a fair summarization of how the mechanics work here?

There is an agreement that allocates consumption and production—that is, consumption and importation that a receiving country has to have a certificate of origin, and keep track of how much comes in?

Mr. VALLS. Senator, the agreement, what it does is allocate controls to the producing countries. It does not allocate quotas to the consuming countries. The producing countries, based on the quotas allocated, send it to those—to the consuming countries that are members of the agreement.

Senator BROWN. Who keeps track, then—who keeps track and how do you keep track of whether or not the producing countries have overshipped their allotment, or their quota?

Mr. VALLS. The ICO in London, receives from the importing country, the certificate of origin back. And they are the ones who keep track.

Senator BROWN. So any time coffee, for example, during this period, would come into the United States, a certificate of origin was required, and that information then was communicated back to the ICO?

Mr. VALLS. Correct.

Senator BROWN. How was it that they were able to bring coffee into this country without a certificate of origin?

Mr. VALLS. That is because they use a completely different system. They smuggle the coffee out of those Central American countries. And now we can show you through this place up on the board, the color of this place, that is, how those people were able to manipulate the quota systems in Central America and into the United States.

Senator BROWN. To appreciate that, if you would focus on two things: No. 1, how they got it out without a certificate of origin; and No. 2, how they got it in here without a certificate of origin?

Mr. Lehrman or whoever wishes? Mr. Lehrman, can you help us with a quick summary?

Senator KERRY. Mr. Lehrman, could you go up to the board and explain that? Take the microphone that is farthest over there and just drag it over there with you.

Mr. Lehrman, if you would just pick the mike up. OK, there you go, right there at the end, you can just do it, and sort of hold it sideways, stand at the end of the table. Just pick the mike right up in your hand here, and you can explain that. And Mr. Valls can hold the card for you.

Take them both together, just take the whole thing. There you go. And Mr. Valls—that is about as far as it goes. So if you stand



on that side—Mr. Valls, would you go on the other side there? That is it. Now we are getting coordinated, okay.

Senator BROWN. There is a certificate of completion of the education program to testify before the committee.

Mr. LEHRMAN. To understand how coffee was smuggled into the United States, you have to realize how it was shipped into the United States.

The coffee is shipped in containers not quite the size of this room, but almost as big, approximately 8,000 cubic feet. In international trade, as the BCCI officer explained, everything is predicated on documents. You don't have people physically following bags of coffee from Central America through the Central American ports to the United States. So as the bags of coffee are loaded into the containers, and the Customs officials in the origin countries check on them, and the Customs officials in the entry countries check on them, they rely on documents. Because it is impossible to search an entire containership, with 500 or 1,000 of these containers almost the size of this room.

The way Bilbeisi was able to smuggle thousands and thousands of bags of coffee into the United States with BCCI's assistance, is controlling the manifests which accompanied the shipment of these containers from Central America to the United States. In short, Bilbeisi's contact in the origin country would prepare a phony manifest listing the containers which were full of Bilbeisi's coffee as either empty or short-shipped.

When the containers were unloaded in the American port of New Orleans, Miami, or Tampa, Bilbeisi's contact on the American side had the manifest, which was contained in a sealed envelope on board; took it out of the envelope; ripped up the true manifest; and presented the manifest to Customs.

Senator BROWN. Presented the phony manifest.

Mr. LEHRMAN. Presented the phony manifest.

As far as Customs was concerned, the containers nearly the size of this room containing Bilbeisi's coffee, were empty or short-shipped. Short-shipped is a term meaning that the container—the cargo never reached the origin port.

So the three men who helped Bilbeisi do this for 2 years, described to us, in sworn statements, how almost funny it was when the crane lifted one of these full containers from the cargo ship—which looks very different than an empty container being offloaded—and the Customs agent, looking at a manifest of 500 or 1,000 containers and deciding which container to look into, like an IRS auditor, would never look into one of these purportedly empty containers.

For 3 years, at no point did a Customs official ever look into any of these purportedly empty or short-shipped containers.

Senator BROWN. Do you have any idea how many containers this involved, either short or—

Mr. LEHRMAN. It would have involved several containers on each shipment. And there were approximately 20 or 30 shipments per year.

Mr. VALLS. Senator, in one shipment they shipped 45 containers.

Senator BROWN. So there were 20 or 30 shipments a year?

Mr. LEHRMAN. That's correct.

Senator BROWN. And they ranged from one up to 45 containers per shipment?

Mr. LEHRMAN. Per shipment.

Senator BROWN. And this went on for 3 years?

Mr. LEHRMAN. For 5 years.

Senator BROWN. For 5 years, and they never had a single container checked?

Mr. LEHRMAN. Not only did they never have a single container checked, they were prepared in the event that a Customs agent said gee, that one looks kind of heavy, let me kind of take a look at that. Of course, it would open, and there would have been several-hundred bags of coffee. In that instance, Bilbeisi's contact at the origin point sent a dummy telex to the contact in the destination port in the United States saying, "Urgent, this container full of coffee was destined for Honduras. It wound up on the ship by mistake. Please send it back."

At no point did Bilbeisi's people ever have to produce that telex, because none of these containers were ever checked.

Senator BROWN. Do you have a feel for how many—what the total dollar amount of the smuggling was over those 5 years, if those records are available?

Mr. LEHRMAN. We know that over \$110 million of those letters of credit were initially issued because many of the records, most of the records have been withheld, or—we contend—destroyed.

We do know that Bilbeisi paid approximately \$35 million in Central America at the illegal, nonquota price for the coffee he brought in. The amount of profit that he made off that coffee is unknown.

Senator KERRY. Would you yield for just a question?

Senator BROWN. Yes.

Senator KERRY. I take it, any of these containers could just as easily have had drugs in them?

Mr. DOUGHERTY. Or weapons.

Senator KERRY. Or weapons.

Mr. LEHRMAN. Well, the containers are almost the size of this room. And it's common knowledge that coffee is used to foil drug sniffer dogs. So they could have contained anything.

Senator KERRY. And if none of them were ever expected, it sort of underscores why we have a drug problem.

But I will leave that for now.

Senator BROWN. But if you would complete the story, the coffee is now in the country.

Mr. LEHRMAN. Right.

Senator BROWN. It has been sold to roasters?

Mr. LEHRMAN. That is correct, roasters or brokers in New York.

Senator BROWN. Now, would they have any reason to ask about the origin of the coffee or question the lack of a certificate of origin?

Mr. LEHRMAN. The roasters of the coffee—do you want to take this?

Mr. VALLS. Senator, once the coffee comes into the United States, and these coffees came in with unmarked bags, they were taken to a warehouse in Miami. The bags were replaced. They were marked

with numbers to show that the coffee was a quota coffee, phony numbers.

Once it is in the warehouse, a certified warehouse, the purchasers—that is the roasters, or the brokers in New York or Chicago—do not care where that coffee came from. They do not ask us questions.

Senator BROWN. I have a technical question.

A few years ago, when I used to work for a living, I was involved in meat sales. I know the way meat came in is—the normal practice for meat was that title transferred, F.O.B. the dock—now, not always. Obviously it could be delivered F.O.B. the customer's doorway, or warehouse, or whatever. But normal practice for meat at that time was that title would transfer on delivery at the dock. That the customer would then have the risk associated with the ownership of that, occasionally, at the dock. And that the customer would arrange—at least at times—to pick it up at the dock.

You are telling me this went to a warehouse, and then was picked up at the warehouse?

Mr. VALLS. It was shipped from the warehouse to wherever the final destination was—either by piggy-back train—

Senator BROWN. Rather than being picked up at the dock?

Mr. VALLS. Rather than being picked up at the dock. Because the Bilbeisi operation in this case, went from the Central American countries directly to the warehouse in Miami. They needed to get it to the warehouse in order to change, to put quota numbers on those bags, to be undetected until it was unloaded and then refixed at the warehouse.

Mr. DOUGHERTY. And then, Senator Brown, with respect to some of the coffee that went to Chock Full O'Nuts—as I stated in my opening statement—the president of Chock Full O'Nuts was actually bribed, given kickbacks by Munther Bilbeisi, straight out of the books and records of Coffee, Inc., in order to facilitate with the active participation of a knowing buyer—the chief executive officer, prohibited by the SEC from accepting gratuities, was taking money from Munther Bilbeisi's company. Which, in the books and records of Coffee, Inc., was referred to as commissions paid to Arthur Berman, the then-president of Chock Full O'Nuts.

So there is no question that at least Chock Full O'Nuts, through its president, knew that this coffee was being smuggled for a long period of time.

Senator BROWN. With BCCI, if they were financing these shipments, normal practice would be for them to at least have a certificate of origin, would it not, included in their papers, and a manifest?

Mr. VALLS. That is correct. Normal practice, yes. That would require a certificate of origin. It would require a letter of credit in which they would show the certificate of origin, a phytosanitary certificate, and the ordinary documents that are needed for this import.

As you can see in all of the BCCI letters of credit that were sent up to purchase this coffee in Central America, once it was brought—once it was shipped, in order to bring it smuggled into the United States, they had to amend the letters of credit. And BCCI supplied them with that service.

Senator BROWN. Well, is there any way a normal bank would not know that there was not a certificate of origin or a proper bill of lading, or a proper manifest? I mean are those not all parts of the package, the paper package you put together to finance one of these?

Mr. LEHRMAN. Yes, the short answer is yes.

Senator BROWN. So BCCI—if I understand what you are saying—BCCI had to be an active participant in the conspiracy to smuggle coffee.

Mr. LEHRMAN. That is correct.

Mr. DOUGHERTY. Senator, on July 10, in Los Angeles, in the RICO action, we took a series of depositions that were videotaped. And one of the bank employees who was the assistant for the letter-of-credit gentleman, Mr. Rafi Ahmad, was given the files. As perhaps the former prosecutor would, we gave him the letter of credit files because he had never been produced when he was moved from Miami to Los Angeles.

And we said to this individual who was charged with the LC opening and closing of the files, the question that you just asked: Mr. Ahmed, take a look at these files. Is there anything irregular about them? Yes. What is it? That there's no certificates of origin. Every one of these files are cooked. There are pieces missing. What does that mean to you, to ask, what does that mean to you as a person who worked in the LC department of the Bank of Credit and Commerce, it means to me that the coffee was smuggled.

Senator BROWN. Let us back up—the LC department?

Mr. DOUGHERTY. The letter of credit department. In other words, the bank's own employee answered affirmatively to the question you just asked Mr. Lehrman, on July 10 when he was confronted with the very files that his superiors worked from.

Senator BROWN. Earlier, you all mentioned—I think the words were—there were two prices, when we had a coffee quota agreement in effect: an agreement coffee-price level, and a nonagreement coffee-price level.

Now I appreciate sometimes that it is difficult to compare qualities, and so on, but can you give me any feel for the difference in price between agreement quota price, and nonquota price?

Mr. LEHRMAN. In one letter of credit, Bilbeisi happened to buy quota coffee, along with nonquota coffee. This was in 1984. In this particular shipment, for the same grade coffee, quota coffee was \$1.40 a pound, nonquota coffee was \$.40 a pound.

So at that particular time, the nonquota price would have been roughly 30 percent or less of the quota price. However, the relationship between the two fluctuated. Generally speaking, the non-quota price was half the price of quota coffee.

Senator BROWN. Well, if the figure of \$110 million over this period of time is correct—and I think you have indicated that that is probably low—for the total amount that would have been involved here.

Mr. VALLS. That is what we know about.

Senator BROWN. We are looking at more than a \$50 million smuggling profit.

Mr. LEHRMAN. Actually, that would understate the figure.

Senator BROWN. Of at least a \$50 million in smuggling profit.

Mr. DOUGHERTY. Of which there is only one criminal indictment against Munther Bilbeisi for unpaid federal income tax, facilitated by the bank in his Florida corporation, Coffee, Inc., and he, individually, for \$3.5 million.

In other words, it could be argued that although the Government indicted him for \$3.5 million, they could have indicted him for a substantially larger amount for that one, taxable year—for just one taxable year.

Senator BROWN. Well, let us put it on the table.

Is there any way, in your view, that the U.S. Customs Service could have not been involved in this conspiracy?

Mr. DOUGHERTY. Senator, we have documents that are shocking, that show that U.S. Customs knew, in June of 1983—now they are part of the record. I could hand them to you—that show on June 15, 1983—I have the document here—

Senator BROWN. Knew that coffee was being smuggled into the country?

Mr. DOUGHERTY. Absolutely, and they knew that Munther Bilbeisi was doing it, and they knew that it was being done with Mr. Otano and Villalbla on June 15, 1983.

And there is a subsequent memorandum that discusses the method of coffee smuggling. And it was signed by agent Gonzales, F. Gonzales, Sr., Special Agent. And the anger of my client is that since they knew it in 1983 and they did nothing about it, if U.S. Customs had indicted them, Lloyd's would not be in the position of doing in a way, what the U.S. Government should have been doing. We would never have had a coffee loss, because he would have been indicted.

And that leads to the question, Senator—when you see the other records that indicate from U.S. Customs computers currency transaction violations, as of April of 1987, where Munther Bilbeisi was cashing at least \$50,000 at a time at BCCI's office in Miami and Boca Raton, without completing the currency transaction forms; and Customs had in its computers knowledge of this violation since 1983; and that the bank and Bilbeisi were continuing to do it—why was there no indictment for 4 years?

The one piece of information, it can be argued, is that someone in the Justice Department determined that since Bilbeisi and the bank, and General Noriega had a direct relationship in coffee smuggling, that indicting Bilbeisi and the bank would have uncovered earlier the relationship of coffee smuggling with General Noriega. And it can be argued that someone did not want to indict General Noriega earlier. Because indicting Bilbeisi and the bank would have uncovered the relationship between the bank and General Noriega.

Senator BROWN. Let me summarize quickly, and maybe you would correct me—

Mr. LEHRMAN. I am just trying to—

Senator BROWN. Sure, go ahead.

Mr. LEHRMAN. The documents that Mr. Dougherty is referring to are Exhibit Nos. 4 and 5 in packet number 6.

Senator BROWN. There is clear proof here that coffee was smuggled out of a variety of countries; that more than \$110 million, at least \$110 million of coffee was smuggled; that the profits off of

that were at least \$50 million or more; that the U.S. Customs Service was aware of the smuggling and did nothing to stop it; that the U.S. Customs was aware of the currency transactions violations, it did not react; and to this date there has not been a single, Customs Service agent indicted in this area?

Mr. DOUGHERTY. Yes, and you have to also understand that to our—with our cost, that every time that we would bring this information to Customs in Miami, and subsequently to New Orleans, and at the expense of underwriters fly this mounds of records that we have brought here, pursuant to the subpoena. And then have to tell U.S. Customs agents this 4-year story in 3 hours or a day, or 2 days, Customs in New Orleans would say that's Customs in Miami's responsibility. Customs in Miami would give us no response. And the next thing that happens is the statute of limitations is gone.

And someone says—

Senator BROWN. Did you notify the U.S. attorneys offices and they took no action?

Mr. DOUGHERTY. You have it right here. And someone in London—and then I have to answer the questions that I'm answering to you, too, in the underwriters' office on Lyme Street, Mr. Dougherty, can you explain this to me? With the numbers involved, with all of the information that's been brought to the attention of U.S. Customs and recognizing that we have, for 300 years, insured most of the world's cargos, why there is no interest in the U.S. Customs to enforce its own Customs laws?

No sir, I cannot.

Can you tell me why U.S. Customs never informed the poor republics of Central America, who are attempting, lawfully, to grow coffee, as opposed to heroin, cocaine, and marijuana, so that they could enforce those laws? No sir, I can't.

Can you explain to me when the bank participates with a coffee smuggler, and an arms dealer, why there's absolutely no interest in the Justice Department to prosecute the bank? You're recommending a RICO case, Mr. Dougherty? Yes, I am. Has the United States Justice Department shown any interest? No. Well, if the United States Justice Department has shown no interest, and we have paid several millions of dollars, how much more is this going to cost, with what results?

Senator KERRY. Now they would probably argue to you today, well we just indicted them.

Mr. DOUGHERTY. The day before the statute ran.

Mr. LEHRMAN. For tax fraud—not for the arms deals, not for the coffee smuggling.

Mr. DOUGHERTY. And then Mr. Bilbeisi's lawyers get up in front of a Federal judge—one of whom has not had a hearing in 3 years because he's been processing daily, criminal cocaine cases, some of which have resulted from the bank's activities—and they're overwhelmed with criminal, cocaine cases in the southern district of Florida—and some lawyer, the seventh or eighth lawyer for Mr. Bilbeisi will get up and say, Judge, it's an issue of fact, because you've never established that all of these instances were coffee smuggling. And the best instance of that is, the U.S. Government didn't see fit to indict them.

Senator BROWN. Mr. Chairman, will we have the Customs Service review this and back up here to explain—

Mr. DOUGHERTY. Maybe Mr. Rosenblatt and Special Agent F. Gonzales can explain to your satisfaction why, when they knew it, they never indicted him?

Senator BROWN. I have one last question I would like to cover, if I may.

We are trying to put together a puzzle here, that seems to have lots of links to it.

In your review of this situation, did you run across any links in this smuggling operation, any links to the First American Bank, to the National Bank of Georgia, or to the law firm—Clark Clifford's law firm?

Mr. DOUGHERTY. No, but I'd like to amplify that.

The firm of Holland & Knight—one of the finest firms in the State of Florida—was in the same building as BCCI, Miami. I don't know whether they had three or four floors, and BCCI had five floors.

The floors of the bank and Holland & Knight were stacked on top of each other. During the interrogation that I took place—that I conducted in California, of the bank's officers—including the chief trader, whose deposition has been taken, Mr. Rizvi. He was the responsible officer who invested all of the daily money of the bank, Senator Brown, in Abu Dhabi. And then he went to Panama.

And he was with—as Senator Kerry would appreciate—Amjan Awan, and Bilgrami.

Senator BROWN. I appreciate anybody who can even pronounce the name, much less—

Mr. DOUGHERTY. Well, you have five people from Pakistan who are working with the bank. And all of a sudden they're sent to Panama. And they work there—they're the only Pakistanis in Panama. And they worked there for 4 years. And the question is did you know that money laundering was going on? Oh, no. Did you receive any courses in violations of the United States law? No. Who were your lawyers? And he identifies your lawyers—his lawyers.

Was General Noriega one of your clients? No. Then what did you do? Well, then I went to Miami. And was there a law firm in the building? Yes. And then you bought 36 branches of BCCI—of an existing Colombian bank, and you never knew, from the gross sudden profits of activity in Colombia that there was money laundering? No. Did you attend a single seminar? No.

And the question is, did you have the advice of attorneys throughout the United States? Yes. So the question for you is, Senator, that we haven't got—and you have greater resources than we—is to subpoena the files of the law firms that represented the bank, and determine—in the minutely-detailed, multimillion dollar fees—how much each law firm charged the bank; and on what dates, for compliance with the U.S. Code—that would be a very significant question; and whether or not that law firm that you've identified ever undertook to do it, or directed other law firms to do it.

Senator KERRY. Well, next week we are going to have an opportunity to ask some of those questions of both people in the bank, as well as some of the lawyers.

Mr. DOUGHERTY. I think, Senator Kerry, one of the problems that we've had has been the blocking of our investigation, as your committee, with records that have not been produced or represented to be produced, so that we could integrate this a lot sooner.

Senator KERRY. Well, there is no question that throughout this effort, you know, a lot of people have. I have two guys on the staff here, who have spent most of the last couple of years trying to get some of those records. And we understand the stonewalling.

But it is very, very hard. There has, indeed, been a sort of institutional stonewalling. Because you are running into it with the liquidators. You run into it with the court. You run into it with the bank, and with a lot of law firms.

One of the great difficulties is that obviously a law firm can say to you, oh, yes, you know, we are going to cooperate. We will give them—and they sort of anteup a few documents. And you are sitting there. And unless you have an insider or somebody who is specifically telling you what document you are looking for, or where it is, you do not know until you get further down the document trail that there may be more documents, or that it has not been fully forthcoming.

Or, that they have been shifted, cleverly and quickly, from BCCI Miami branch, to London, or to Amman, or somewhere. And I am convinced, at this moment, that there are an awful lot of documents out there that tell an extraordinary story that are sitting in foreign countries, as a consequence of the delay here in seizing and in moving, and in investigating. And you are paying some of the price of it; we are paying some of the price of it.

It is very difficult to get all of those.

Mr. DOUGHERTY. Senator, can I make two points with you?

You, on opening statement, referred to the issue of Iraq, and arms transactions. I did wish you and Senator Brown to know that in the most recent discovery response from Mr. Bilbeisi, we have records that will be placed in the evidence—with your permission—to show that Mr. Bilbeisi attempted to sell parts for F-14 jets, American-made Grumman F-14 jets to Iran; that there are records that show that Mr. Bilbeisi, in Hollywood, Florida, during the Iran-Iraq year, Senator Brown was receiving inquiries from the first minister of Iraq to attempt to buy American-made red-eye, side-winders, other surface-to-air missiles, tanks.

We even knew—when we were investigating early—the telex traffic, to show the coffee shipments. We came across a telex that showed—an incoming telex to Mr. Bilbeisi's office in Boca Raton from South Africa, offering to sell enriched uranium to a Middle East country.

Senator BROWN. Any indication as to which country?

Mr. DOUGHERTY. In the context of the incoming telexes, it would have to be argued that it was either Iraq or Iran. That information was given to two FBI agents who looked at it before our involvement and confrontation with Iraq 2 years ago. And there didn't really seem to be any interest to take the totality of all of the pieces of a man who claims to be a coffee merchant, retired, who is



receiving incoming telex traffic for each coffee transaction in Central America, any interest in 20 mm cannons, armored personnel carriers, tanks—none—with a man who did have a former CIA agent working for him in the coffee business; and at different times a retired Three-Star Army General travelling with a coffee smuggler to Honduras, El Salvador, and Guatemala, during the times of the—what is called and referred to as the—Iran Contra Affair.

Senator BROWN. You do not mean U.S. retired Army general?

Mr. DOUGHERTY. I mean that a Lieutenant General of the U.S. Army—and you may not have been here—James Vaught, a distinguished, United States Flag Officer, who organized the ill-fated Iran extraction of our hostages from our embassy, when the helicopters crashed in the desert. That was his plan.

That that man, upon his retirement from the U.S. Army, who went from an NCO to a Three-Star Army General, from South Carolina, suddenly appears at Mr. Bilbeisi's residence, and attempts to go into Central America and sell Turkish or South Korean-made weapons with Mr. Bilbeisi's employees in Honduras, Guatemala, and El Salvador.

We have his sworn statement here. The following year, Mr. Bilbeisi attempts to sell—or listens to Adolfo Colero's shopping list of Soviet-made weapons.

Now, the question is, when this information is brought to the Justice Department, and there's absolutely zero interest, with a man who flagrantly violates the U.S. Code, who U.S. Customs knows is violating sections of the U.S. Code, why? And we even have, now, received a copy of a passport of the Government of El Salvador which shows Mr. Bilbeisi as a Salvadorian, that was issued by the Salvadors, by the Government of El Salvador's embassy in Geneva, arising out of his activities in selling weapons to El Salvador.

Now, what is a Jordanian in a false name using a Salvadorian passport today? How did that happen? How could that all happen, without the United States Immigration Department, the U.S. Customs, the Justice Department, the Central Intelligence Agency, the National Security Council all being unaware? It does just not happen that a distinguished United States Army officer attempts to broker weapons.

Senator KERRY. Do you have any idea how—how do you know that a CIA man or former CIA person went to work for Bilbeisi?

Mr. DOUGHERTY. His name is William Toten. He lives in Alexandria, VA. He was subpoenaed to give testimony 1 year ago. I conferred with his attorney. We'll introduce the copy of the subpoena and the name of the attorney. And his attorney admitted that he worked for the agency, and stated—to save a lot of time—that he would not permit me to ask any questions concerning the length of his employment, what he did with the Central Intelligence Agency, or what he did with Mr. Bilbeisi selling coffee shrimp.

And Senator Brown, there is a—in a record that we received last week—a very simple document called Decoding. And it's a vertical line that lists commodities like coffee and shrimp. And you correlate it to weapons.

Now, what is a coffee merchant from Jordan doing with a sheet that codes commodities for weapons? It is, I have said to many

people involved, it's like taking three, gigantic crossword puzzles that have pieces missing, and they're all thrown in a big bin. And you shake it up and throw it out on the floor. And then someone has to sort out the puzzle of BCCI, the puzzle of Munther Bilbeisi and his other activities.

Senator KERRY. Well, all good arms merchants need a nice cover enterprise, do they not?

Mr. DOUGHERTY. They do. They certainly do.

Senator KERRY. His happened to be coffee, no?

Mr. DOUGHERTY. That's what he says. That's what the man says. And it—

Senator KERRY. Let me ask you something, because I do not want this Mr. Toten—it is the first time I have heard his name, incidentally—I do not want him swept into a rug of sort of a sense of something going on here.

I mean, is there any allegation that somehow he has done anything wrong?

Mr. DOUGHERTY. We haven't taken his testimony. All of the telex traffic shows that William Toten, a former agent of the CIA—according to his attorney—was selling blackened shrimp, castrated sheep, and coffee beans. [Laughter.]

Senator KERRY. And is the telex traffic that you have uncovered in the course of all the document demands that you have made. Is that correct?

Mr. DOUGHERTY. That's correct.

Senator KERRY. OK, but again, there is no allegation at this point of anything but questions about what he was doing?

Mr. DOUGHERTY. Yes, and we also know, on that point, Senator, that that same individual participated and received a fee—a \$50,000 fee—for his services in concluding Mr. Bilbeisi's litigation for a tank commission. He was paid \$50,000. And there's a copy of that check.

So what is an ex-CIA agent, who then becomes a commodity broker, receiving a fee to conclude a \$700,000 settlement?

Senator KERRY. BCCI used cashier's checks to enable Bilbeisi to take his smuggling profits without paying U.S. taxes. Is that accurate?

Mr. DOUGHERTY. Yes, our records would indicate that between 1983 and 1987, I think the actual quantum of them was around \$11 million.

Senator KERRY. OK, now was there any reason that BCCI should have known what it was issuing cashier's checks for? That it was, in fact, part of that? Because it is not unusual for a bank to issue a cashier's check.

Mr. DOUGHERTY. Yes, they should have known it was unusual. When the bank employees were interrogated by us, did you have any problems with writing out, on March 3, 1986, 86 cashier's checks to Louis Altamar for \$25,000? Yes. I mean didn't the thought ever occur to you that you take \$25,000, multiply it times 86 and make out one cashier's check? Yes. Why didn't you do that? Well, that's the way Mr. Bilbeisi wanted it. Why? So that he could take those checks—according to Louis Altamar, not the bank employee—he could take those checks and buy smuggled coffee without using letters of credit.

Senator KERRY. If a client comes into a bank and says I want 80 checks in this amount, is there an automatic reason that a teller or somebody is going to make a judgment about what they want them for?

Mr. DOUGHERTY. There are requirements of the U.S. Code that those transactions be recorded—which were not, by BCCI.

Senator KERRY. That is what I am getting at.

Mr. DOUGHERTY. Number two, there is a requirement of the U.S. Code that any individual who takes more than a certain amount of cash or currency—or cashier's checks—out of the United States, commits a crime, when the bank has reason to know—actual knowledge—that the person, the payee of the check, the employee of Bilbeisi, is going to fly to Honduras or Guatemala with \$3 million worth of cashier's checks, they know what's going to happen. And when that employee tells them, when he brings some of those checks back for refund, where he's gone and what he's done, the bank is more than on actual knowledge of a criminal conspiracy.

Senator KERRY. In your effort to try to get discovery to find out what had happened with respect to these checks, did you have trouble with the bank in getting them to produce the cancelled checks?

Mr. DOUGHERTY. The court file is from me to you, on that issue alone. The people that drew the checks are now in Turkey.

Senator KERRY. And that is because if you were to have seen the endorsed side—not just the face side—but if you saw the endorsed side, then the fraud would have been self-evident?

Mr. DOUGHERTY. Yes, sir. If we had received, in 1987, all of the cashier's checks in their original form, and the endorsements, we could have completed the investigation and moved for summary judgment at that time.

Senator KERRY. I also just want to clarify for the record—because I do not want any unfair insinuations cast here—you have raised a question about General Vaught's participation. But so far as you know, or anyone knows, is there anything that indicates, again, any illegal activity on the part of General Vaught?

Mr. DOUGHERTY. No.

Senator KERRY. It is perfectly possible that he could simply—I mean, this is where he wound up. He was employed because he had a good business opportunity. But he did not—there is no showing that he was aware of anything.

Mr. DOUGHERTY. Absolutely not.

Senator KERRY. I just want the record to be very clear.

Mr. DOUGHERTY. Absolutely not. We brought a sworn statement, and the general's testimony was that no arms transaction was completed, and that he disassociated himself with Mr. Bilbeisi, Senator Kerry, when it became apparent to him that Central American officers were demanding kickbacks. And General Vaught's testimony was clear—

Senator KERRY. Who were the two generals who got paid money in Guatemala?

Mr. VALLS. It was General Alejandro Gramajo, the ex-Minister of Defense, and General Mata, who was, at the time, the head of—

Senator KERRY. He was, previously, Colonel Mata, was he not?

Mr. VALLS. Correct, chief of staff.

Senator KERRY. He is now general?

Mr. VALLS. Yes, he is retired now.

Senator KERRY. Let me go into one last inquiry—up until now, everything that you have set forth here has been documented by the discovery process, by the confessions themselves, or participants in this smuggling scheme.

Mr. DOUGHERTY. That is correct.

Senator KERRY. By bank checks, by canceled bank checks, by memoranda, so that all of your testimony to date, before this committee, is, in fact, testimony based on evidence that is admissible in court, and that you have learned on a first-hand basis. Is that accurate?

Mr. DOUGHERTY. That is accurate.

Mr. LEHRMAN. Not only admissible in court, Senator, it has all been filed with the court. So if we wish to conceal what we told you today, we couldn't do it.

Senator KERRY. Correct, and all of it, obviously, subject to pains and penalties of perjury.

Let me just ask you one thing that is not based on documents, but it is an area that has concerned me in the course of this investigation. And you said something to me, literally 5 minutes before we came in here, that is curious. And I want to just acknowledge right up front, it is your speculation, it is not factual.

There are rumors around, there is a lot of street talk around about payoffs, and about who has benefitted in this process. And one of those allegations regards sort of, you know, lists or names of individuals in this country who have received sums of money either through BCCI directly, or otherwise.

Now, do you have any knowledge of that? Or do you have any sense as to whether any of the players in this scheme that you have laid forth here might be able to shed light on those payments?

Mr. DOUGHERTY. I have both direct and indirect knowledge.

Senator KERRY. OK, would you share the direct knowledge with us, first?

Mr. DOUGHERTY. The direct knowledge is, even the most recent article published by Harper's Magazine, of this month, that makes this—it's by the author—the statement of fact that the Federal Reserve possesses a source document that would identify all of the individuals—politicians, other people who possess power and influence, who have received substantial sums of money from the bank, both in the United States and in England.

Senator KERRY. Now, that is not direct knowledge. Again, that is pretty—that is indirect knowledge. I mean, you have read in a magazine that somebody is asserting this.

Mr. DOUGHERTY. Number two—

Senator KERRY. The record ought to show also that the Fed has denied that that list exists in testimony before this committee.

Mr. DOUGHERTY. I was about to say it.

I am also told, by way of hearsay, that when the Price Waterhouse reports were prepared in the months prior to the action taken by the Bank of England, that there is a Price Waterhouse report, itself, that identifies the individuals—both within the

world, and therefore within the United States—who have received large, political payoffs.

Senator KERRY. Now, is there a possibility that some people might not have been indicted because they could name some of those people?

Mr. DOUGHERTY. Yes, that is the next thing that's my inference. And I would say this—

Senator KERRY. Now this is purely your speculation.

Mr. DOUGHERTY. I'm going to state this purely as my opinion. That if you look at the activities of Bilbeisi as one case, we know that an individual in Boca Raton, and a specific bank officer whose name is Malek, at a branch office in Switzerland—excuse me, Swiss Cottage in London, England—set up phony accounts for three, ex-Bilbeisi employees. They are attached to the affidavits of the three men that worked for him.

Those false names were Franjuli, Labaro, and Chevere. And over a million—several millions of dollars were transferred from the United States by BCCI people in Boca Raton personnel, Boca Raton in Miami, to BCCI, London, to facilitate two functions of this bank, which were: first, to enable individuals to make money in a criminal enterprise—in this case, coffee smuggling; second, to take that capital and evade United States income tax laws; third, to allow the interest from that capital to similarly evade United States income tax laws.

An example was what was done with the Bilbeisi threesome.

Senator KERRY. OK, well let me try to stay on track here. OK, so you have—

Mr. DOUGHERTY. I'm getting to it, Senator.

Senator KERRY [continuing.] You have is the continuing criminal conspiracy, as to this fraud.

Mr. DOUGHERTY. Yes.

Senator KERRY. Where does that lead you?

Mr. DOUGHERTY. All right, since that was done in this case, and the common bankers were involved—as I know—in other, similar tax evasion schemes, the question is, why was referred to as Main Justice—Mr. Mueller and the Tax Division—have not indicted the bank officers?

Senator KERRY. Which bank officers?

Mr. DOUGHERTY. The bank officers of BCCI, why they have not indicted them for violations of United States law.

And the answer to that would be—

Senator KERRY. Which bank officers, where?

Mr. DOUGHERTY. Here. Why no criminal indictments—

Senator KERRY. Here where?

Mr. DOUGHERTY [continuing.] In the United States of America.

Senator KERRY. All through the United States.

Mr. DOUGHERTY. The southern district of Florida.

Senator KERRY. All the bank officers?

Mr. DOUGHERTY. Why have the bank officers who participated in income tax violations in the southern district of Florida not been indicted?

And an answer, a possible, plausible answer is if those individuals are indicted, and extradited to the United States, they would be in a position to bargain for their reduced sentence, to name

names of other individuals who did use political influence—or at the least, to name the individuals who participated in other income tax violations.

Senator KERRY. OK, let me ask a question now.

There was an indictment, recently, correct?

Mr. DOUGHERTY. There was—

Senator KERRY. An indictment in Tampa.

Mr. DOUGHERTY. There was.

Senator KERRY. And that indictment was not of the kinds of officers or the level of officers, then, that you are referring to?

Mr. DOUGHERTY. Exactly.

Senator KERRY. Is it possible that they do not have a case against those officers, that they cannot indict them?

Mr. DOUGHERTY. No, they can make a case. And the documents that we have shown you, if they indicted Bilbeisi, and they indicted his accountant, Gruschoff, and they have actual knowledge of the names of the individuals who facilitated it—not only for Bilbeisi—why weren't those bank officers indicted at the same time?

Senator KERRY. Well, it is a question we will ask.

I do not have the answer to it.

Let me thank you, both of you—all three of you for your testimony today. I think it has been very helpful in laying out, as we said we would at the beginning, one particular sort of opening or window, if you will, on how BCCI functioned.

Obviously, there is a lot more to tell. You have scratched the surface of the questions about the number of branches in Medellin. It is pretty hard to buy branches of a bank in Medellin, Colombia, without knowing what kind of proceeds are going through those banking accounts.

Similarly, the Cayman Islands and other activities at BCCI present their own set of questions. But this is particularly interesting, because this is on the shores of the United States. Much of the activity came out of Florida. And because it obviously raises some serious questions about capacity to enforce some of the laws we have on the books—and willingness to.

Now I do not know what happened here. As Senator Brown has suggested, it is yet another area of inquiry that we have to try to find out what happened.

But I want to thank you for being here. Lloyd's has, as I said at the outset, expended \$6 million to pursue and produce the documents that you are sharing with us, and the evidence that you have shared with us. And we are very grateful, obviously, that you are able to do that. I think it is very helpful to us. And it is the committee's hope, obviously, that we will be able to shed more light as we proceed down the road.

On next Tuesday, we will be meeting in the Hart Auditorium for the hearings, in fact, all next week I think we are over in Hart. And we will be hearing from a 13-year veteran of BCCI, a gentleman who is one of the significant players here in the United States, within the BCCI banking structure. And that will be Tuesday. And we will announce the process for the rest of the hearings in the course of next weeks.

So we will stand adjourned until Tuesday.

We have a statement submitted for the record by Senator Helms which I ask be included.

[The prepared statement of Senator Helms follows:]

#### PREPARED STATEMENT SENATOR JESSE HELMS

Mr. Chairman, when we last left the subject of BCCI, the Bank of Credit and Commerce International, you and I spoke of this matter in terms of writing a book. Back in August, I said that this book would be unbelievable. Today we add the first of another five chapters to our story, this chapter dealing with accusations of coffee smuggling, insurance fraud, tax evasion, and ties to the Noriega criminal network. Our witness this morning is Mr. James Dougherty, a Florida lawyer who investigated Munther Bilbeisi, our featured player in this chapter.

Mr. Chairman, from documents already made available to the public, we have learned that Mr. Bilbeisi was the type of client that BCCI was only too willing to serve. A big spender with ties to the Jordanian royal family and government, Munther Bilbeisi worked hand-in-hand with BCCI to develop a coffee importing business. Mr. Bilbeisi's business was successful enough to attract the attention of American firms such as Chock Full O'Nuts and Chase and Sanborn. Yet it appears that Bilbeisi wanted more.

According to a Justice Department indictment, Bilbeisi, with the help of BCCI, bribed his accountant to help him hide illegal coffee trades to American firms. As documents made available to the committee note, the export documents noted that the coffee would go to Jordan or Syria. In reality the low quality Central American beans would end up in the United States, where they fetched a premium price. This way Bilbeisi could avoid the higher U.S. coffee tariff, and pocket the difference. The bank that helped him pull this off by issuing \$105 million in letters of credit—BCCI.

Of course, when you avoid tariffs, you do not have to pay income taxes. According to the indictment, passed down by a Miami Grand Jury, between 1984 and 1987, Mr. Bilbeisi avoided over \$840,000 income tax. The indictment also states that Mr. Bilbeisi's company, Coffee Inc. reported net losses of \$1 million in 1984 and 1985, while, in reality, it earned \$2.8 million in taxable profit. The bank whose officials received payments for helping Bilbeisi in avoiding income taxes—BCCI.

An internal report for BCCI also noted that a certain bank loaned Mr. Bilbeisi and his firms over \$5.5 million, some of which "was paid directly or indirectly to various persons and companies identified by the U.S. Government as being closely connected with or controlled by Manuel Noriega." Other loans "may have acted as some form of security or collateral for activities involving Gerardo Harris, an associate and confidante of Manuel Noriega." The bank that made these loans—BCCI.

Mr. Dougherty has told the press that he is aware of other documents that link Mr. Bilbeisi and BCCI to the international arms trade. Based on his role as an investigator hired by Lloyd's of London to track down a highly questionable insurance claim, Mr. Dougherty has examined Mr. Bilbeisi's role in various illicit international deals. His testimony promises to be very interesting in helping us flush out this chapter of the story of BCCI.

Senator KERRY. We will leave the record open for further questions from members of the committee.

#### INTERVIEW OF FERNANDO RAMON MARIN AMAYA

The interview of Fernando Ramon Marin Amaya was convened at 1:13 p.m., in room SD-415, Dirksen Senate Office Building.

Present: Jonathan M. Winer, Legislative Assistant/Counsel to Senator John Kerry; Vicente Valls, International Alltrade Consultants, Inc., translator; and Fernando Ramon Marin Amaya, independent attorney working for the Attorney General's Office of the Republic of Guatemala, witness authorized to testify by the Guatemalan Attorney General.

Mr. WINER. This is a deposition of Mr. Fernando Ramon Marin Amaya, who is an authorized representative of the Guatemalan Government, conducted on behalf of the Subcommittee on Terrorism, Narcotics and International Operations in connection with our ongoing investigation into the BCCI Affair.

Mr. Marin Amaya is a Spanish speaker from Guatemala, and we, accordingly, will conduct this deposition through a translator.

Will the translator please identify himself?

Mr. VALLS. My name is Vicente Valls—V-A-L-L-S. I will attempt to translate as best as possible for Mr. Amaya.

Mr. WINER. Mr. Amaya, under what authority are you here today?

Mr. AMAYA [translated by Mr. Valls]. I work for the Attorney General's Office of Guatemala as an independent professional, and I am helping at the present time in the investigation of the BCCI and its connections with Guatemala.

Mr. WINER. When did this investigation begin?

Excuse me. Let me say that at the beginning of each deposition, we ordinarily swear in each witness. I forgot to do so here.

Do you swear to tell the whole truth and nothing but the truth throughout this deposition?

Mr. WINER. The witness is now sworn in.

If you would, begin again with your authorization and when the investigation began.

Mr. AMAYA [as translated by Mr. Valls]. I am an independent lawyer, and I work for the Attorney General's Office of Guatemala in the investigation of different cases in the criminal section of the Attorney General's Office, and especially investigating the case of BCCI in Guatemala.

Mr. WINER. When did your investigation of BCCI begin?

Mr. AMAYA [as translated by Mr. Valls]. It started in 1991, approximately at the middle of 1991.

Mr. WINER. And what steps have you taken in the course of this investigation?

Mr. AMAYA [as translated by Mr. Valls]. It all started with an article that came out in "Time" magazine and its connections, the BCCI connection with Guatemala. At that time, we flew, after that, to Miami, to investigate and obtain whatever necessary documents we could.

Mr. WINER. And have you obtained any documents in the course of that investigation?

Mr. AMAYA [as translated by Mr. Valls]. We have obtained a series of documents; in them, the negotiations of coffee that took place of Munther Ismael Bilbeisi financed by BCCI; the purchase and sale of the helicopters, which was financed by, as an intermediary through BCCI; and also all of the documentation that deals with a loan by BCCI to the Government of Guatemala of \$30 million in 1988.

Mr. WINER. What documents have you brought with you today?

Mr. AMAYA [as translated by Mr. Valls]. The documents that I have brought to leave with this Senate hearing are depositions that have been taken in Guatemala; also the formal charges and the lawsuit brought by the Republic of Guatemala against the responsible people in the sale and purchase of the helicopters.

Mr. WINER. What laws were allegedly violated in Guatemala?

Mr. AMAYA [as translated by Mr. Valls]. In the specific case of the purchase and sale of the helicopters by the government, they have violated, in the specific case of the helicopters, they have violated the law of property and criminal laws in Guatemala. The criminal laws violated in Guatemala are that they have received payments to Guatemalan officials and commissions to public officials of the Government of Guatemala. At the same time, we are bringing a new order of arrest against an individual by the name of Munther Ismael Bilbeisi for the evasion of taxes in the country of Guatemala and violations of the Customs laws in Guatemala.

The new Government of Guatemala initiated in the month of March 1991, an investigation as to the transactions that took place by Munther Ismael Bilbeisi, coffee transactions. On September 12 of the present year, a decree was handed on the order of arrest for Munther Ismael Bilbeisi. At the present time, they have detained and put in jail certain individuals of Guatemalan origin and they have obtained also from the Ministry of Public Finance an order to, an assessed order to collect on the taxes owed by the company named "Coffee, Inc." in Guatemala.

Also, they are investigating how the loan was utilized. The loan that was utilized by the Government of Guatemala was given by BCCI to the Government of Guatemala.

At the same time, they are also beginning a new investigation about other purchases and other discoveries of purchases of coffee that come up to a total of 16,422 quintals of coffee that the company, Coffee, Inc., exported illegally from Guatemala, falsifying documentation to make it look like it was Salvadoran coffee.

With this new discovery, they will attach this to the present criminal proceedings that Mr. Bilbeisi has, and they will also bring a new order to collect from the Ministry of Finance and Treasury on taxes owed.

Mr. WINER. What were the names of the Guatemalan officials who have been charged in connection with this matter?

Mr. VALLS. Can I ask you one question?

Mr. WINER. Yes.



Mr. VALLS. Which matter, because we have a coffee matter and a helicopter matter?

Mr. WINER. The helicopter matter.

Mr. VALLS. OK.

Mr. AMAYA [as translated by Mr. Valls]. Officially, the Attorney General of the nation has accused a Mr. Milton David Cerezo Garcia, Jose Francisco Valdez Bocanegra—

Mr. WINER. And the positions of each person?

Mr. VALLS. I'll start all over then.

Mr. AMAYA [as translated by Mr. Valls]. Milton David Cerezo Garcia, brother of the ex-President of the Republic, Vinicio Cerezo, which was the head of Immigration during the term; Jose Francisco Valdez Bocanegra, an employee of Mura, International, in Guatemala; Mauricio Coronado Lara, the ex- Consul of Guatemala to Miami; Munther Ismael Bilbeisi, owner of Mura, International; Louis Charles Altamar, an employee of Munther Ismael Bilbeisi and Mura, International; Sandra Giovana Duran de Mari, wife of Milton Cerezo; Hector Alejandro Gramajo Morales, the ex-Minister of Defense of Guatemala; Marco Antonio Vargas Espinoza, from the military, a colonel that participated in the negotiation of the helicopters; Marco Vinicio Cerezo Arevalo, the ex-President of Guatemala; Roberto Mata Galvez, the ex-Chief of Staff of Guatemala; Jesus Alberto Coppo Gayoso, an employee and Vice President of Mura, International.

Mr. WINER. Was the former President of the Republic, Vinicio Cerezo, charged on any matter in connection with this?

Mr. AMAYA [as translated by Mr. Valls]. He has been charged criminally in these proceedings. They have left to the discretion of the judge in this case to determine what exact criminal charges will be brought against each of these individuals.

Mr. WINER. What do you now understand former President Cerezo to have done in connection with this matter?

Mr. AMAYA [as translated by Mr. Valls]. In this specific business, the ex-President, Marco Vinicio Cerezo Arevalo, directed in conjunction with the Estado Mayor the negotiation for the purchase of the helicopters. In the documentary proof that we have brought in these proceedings, there is an assignation of \$270,000 that was made by Mr. Munther Ismael Bilbeisi through the Bank of BCCI through Bank Leumi of Israel, Miami agency, in which you can notice that Mr. David Cerezo Garcia received a commission for the purchase and sale of the helicopters.

Mr. Milton Cerezo Garcia, when he was initiated as the head of Immigration and was sworn in, declared that the sum which he could count on and all of his properties approximately was 12,000 quetzales. At the exchange in those years at two and a half to one, we're talking approximately \$5,000. The salary of Mr. David Cerezo Garcia approximately was 3,000 quetzales a month, which is approximately \$1,200 a month.

At the present time, the account of Mr. Milton Cerezo Garcia has over \$600,000 deposited at Bank Leumi. That proof has been necessary to be able to associate the ex-President, Marco Vinicio Cerezo Arevalo, in the negotiation of the helicopters, of the sale of those items. Also, they have determined that there are transfers from the bank account of Milton Cerezo to the account of Vinicio Cerezo at another bank.

Mr. WINER. Are you saying that there is no way ex-President Cerezo could have accumulated that amount of money legally while he was President?

Mr. AMAYA [as translated by Mr. Valls]. The President of Guatemala has an approximate salary of 25,000 quetzales per month. That, multiplied through all of the 5 years as the President, is a much lower amount to what he actually possibly has in his accounts in the United States, bank accounts.

We are also indicating the ex-President, Vinicio Cerezo, to have negotiated illegally the sale of the national airplane company, Aviatega, for which time he is also being taken to the courts. Especially in the Aviatega proceedings, the ex-President, he has just received an order from the courts that the process initiated against him cannot be as an administrative process, but it will be, it is being brought as a criminal process, putting the burden on the Congress of the Republic to take away the immunity of the President, of the ex-President, to initiate the present process against him.

Mr. WINER. What was BCCI's role in the helicopter affair?

Mr. AMAYA [as translated by Mr. Valls]. It was the intermediary bank at which Mr. Munther Ismael Bilbeisi was able to sell the helicopters to the Government of Guatemala. They utilized a smaller bank in Miami, they utilized a smaller bank in Miami to utilize, to be able to utilize financing from Ex-Im Bank in the United States with the object of being them the beneficiary in the sale of the helicopters and in the letter of credit that was admitted by the Bank of Guatemala.

Mr. VALLS. He likes to add that BCCI was brought into the negotiation of the helicopters by Munther Ismael Bilbeisi.

Mr. WINER. Do you have any evidence that leads you to believe that BCCI officials understood the transaction was improper?

Mr. VALLS. The only evidence that he can actually supply was that the BCCI officials knew that there was no end user certificate from the United States and the payments from BCCI to officials of the Guatemalan Government.

Mr. WINER. For what purpose would helicopters armed with machine guns have been used by the Guatemalan military in this period?

Mr. AMAYA [as translated by Mr. Valls]. The helicopters, the military helicopters, would have been used to combat the guerrilla problem in Guatemala; although, the three helicopters that were actually sold to Guatemala did not have any military equipment, but they were configured to be used, to be added to it.

Mr. WINER. What documents that you brought with you would you now authenticate for us?

What I'd like you to do is to go through the documents one by one, to describe each document and, thereby, to authenticate it as a true copy of that document.

Mr. AMAYA [as translated by Mr. Valls]. The first document is a deposition of the individual, Jesus Alberto Coppo Gayoso.

Mr. VALLS. Each one of the documents do you want him to go through?

Mr. WINER. Yes.

Mr. VALLS. Or do you need an explanation of each one of the documents?

Mr. WINER. No.

Mr. VALLS. OK.

Mr. AMAYA [as translated by Mr. Valls]. The second document is also a deposition of Mr. Jesus Alberto Coppo Gayoso in front of the Attorney General's office.

The third document is the first lawsuit brought by the Government of Guatemala for the sale of the helicopters.

The next document is an amendment to the first lawsuit brought by the Government of Guatemala for the sale of helicopters in which it actually names the individuals.

The next document is the order of capture that was, the order of capture of Munther Ismael Bilbeisi for smuggling and evasion of taxes.

The last document that I have here is a deposition given by Mr. Louis Charles Altamar, done in front of the Attorney General's office of Guatemala.

[The documents referred to follow:]

REPUBLIC OF GUATEMALA  
CITY AND DEPARTMENT OF GUATEMALA  
EMBASSY OF THE UNITED STATES  
OF AMERICA } ss:


**MARY ELLEN GRANDFIELD**

I, .....  
Consul of the United States of America  
at Guatemala, Guatemala, duly commissioned  
and qualified, do hereby certify that

**FERNANDO RAMON MARIN AMAYA** .....  
whose true signature and official seal  
are, respectively, subscribed and affixed  
to the foregoing (annexed) certificate  
(document) was on the... 18th, .....  
day of.. September..... 19.91 the date  
thereof, ...LAWYER AND NOTARY PUBLIC...

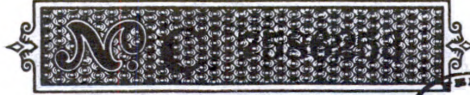
duly commissioned and qualified, to whose  
official acts, faith and credit are due.

IN WITNESS WHEREOF I HAVE hereunto set my  
hand and affixed the seal of the Consular  
Service of the United States of America at  
Guatemala, Guatemala, this day of **OCT 10 1991**

  
Mary Ellen Grandfield  
VICE CONSUL OF THE UNITED STATES  
OF AMERICA



EN 5 HOJAS  
Primera



REGISTRO

Nº 536778

QUINQUENIO  
DE 1988 A 1992

ACTA NOTARIAL: En la ciudad de Guatemala el día miércoles

dieciocho de septiembre de mil novecientos noventa y uno, me encuentro constituido en mi oficina profesional ubicada en la sexta calle cuatro guión diecisiete de la zona uno, Edificio Tikal (PH) número N guión ochocientos nueve (BUFETE CONDE, MARIN Y ASOCIADOS), cuando son las ocho horas con treinta minutos y soy requerido por el señor JESUS ALBERTO COPPO GAYOSO, quien dice ser de cincuenta y dos años, Peruano de Nacimiento, Ingeniero Industrial, casado, de tránsito por el país pero con oficinas en octava calle seis guión cero seis de la zona uno de esta ciudad oficina cuatrocientos cinco y con residencia en Ginebra, Suiza, y se identifica con el pasaporte peruano número un millón quinientos cincuenta y cuatro mil trescientos sesenta y cinco extendido en Miami el catorce de enero de mil novecientos noventa y uno y quien dice ser de los datos de identificación personales ya relacionados y comparece en forma voluntaria sin coacciones ni presiones de ninguna índole, en el pleno uso y goce de sus capacidades mentales y volitivas así como en forma espontánea con el objeto de hacer una declaración ante el infrascrito Notario de su relación con el señor MUNTHER ISMAEL BILBEISI y la relación de trabajo que en cierta época tuvo con dicha persona y para lo cual se utilizará el sistema de preguntas y respuestas para ser más claro y objetivo, desarrollándose la misma de conformidad con los extremos siguientes: PREGUNTA:

MINISTERIO DE  
FINANZAS PUBLICAS



30

26 Que sabé usted acerca de las negociaciones de café que el  
 27 señor MUNTHER ISMAEL BILBEISI realizó con su empresa COFFE  
 28 INC. así como de los fraudes que dicho señor cometió?.

29 RESPUESTA: Yo no he tenido relación directa ni indirecta con  
 30 las actividades comerciales con dicho señor ya que yo trabajé  
 31 en la empresa MURA INTERNACIONAL, pero si me he podido dar  
 3 cuenta de ciertas cosas por mi relación de trabajo con la  
 3 empresa.

33 PREGUNTA: Que otras cosas se refiere? Bueno, he sido  
 34 informado por ejemplo de los esfuerzos desesperados que dicho  
 35 señor realizó luego de especular con los precios de café y  
 36 vió que su negocio se caía por los suelos. Considero,  
 37 conociendo la personalidad de dicho señor que es posible que  
 38 haya recurrido a cualquier acción en donde pudiera obtener  
 39 algún beneficio o provecho de dicha situación. Por ejemplo  
 40 citaré que en mi última visita Ammán, Jordania fui enterado  
 41 de teniendo mucho presión por deudas de Bancos y de otra  
 42 índole dicho señor se dedicaba a la importación de vehículos  
 43 de Polonia, si mal no recuerdo marca FSO, pero posteriormente  
 44 pudo resolver sus problemas luego que su negocio se le  
 45 incendiara. Dicho señor entiendo que ha sido como la oveja  
 46 negra de la familia y que siempre ha requerido tener una  
 47 apariencia de vida de opulencia ante los demás aunque  
 48 entiendo que es una simple apariencia.

49 PREGUNTA: CONSIDERA QUE EL SEÑOR BILBEISI PUEDE OBTENER  
 50





EN 5 HOJAS  
segura



REGISTRO

Nº 536779

QUINQUENIO  
DE 1988 A 1992

VENTAJA DE CUALQUIER PERSONA Y A CUALQUIER COSTA?. Considero

que sí, por ejemplo cuando vió que un negocio que estábamos realizando en Guatemala se había concretizado él me quiso sacar y presionarme para que me saliera, y él quería salir en caballo blanco entregando el material que el Gobierno de Guatemala había comprado en mil novecientos ochenta y ocho, pero a raíz de que tenía órdenes de captura ( es decir problemas legales según entiendo por los problemas del negocio de café) dicho señor no tuvo más que dejar que terminara mi gestión dentro de Mura Internacional.

PREGUNTA: SE PUEDE DECIR QUE TRATAR CON DICHO SEÑOR ES PROBLEMÁTICO?. Sí, tratar con él si lo es ya que él siempre trata de imponer su criterio. Por ello yo tuve serias discusiones con él porque yo no soy de las personas que me dejo gritar ya que tengo mi dignidad y considero que las personas deben tener cierto respeto hacia mí.

PREGUNTA: CONSIDERA USTES QUE EL RECLAMO HECHO POR EL SEÑOR MUNTER ISMAEL BILBEISI A LA COMPAÑIA LLOYD'S ERA FRAUDULENTO?. No conozco certeramente de que tipo de reclamo sea y especialmente los términos precisos, pero considero que la respuesta puede estar dentro de las que he brindado precedentemente, considero que siempre él ha tratado en sus negocios de sacar algunas ventajas máxime cuando le apremian sus necesidades económicas.

PREGUNTA: SABE USTED QUIENES SON LOS SEÑORES RICHARD POSTMA,

MINISTERIO DE  
FINANZAS PÚBLICAS



50

DAVID GASS Y ARTHUR KOSKI?. Dejemé decirle que si conozco al

26 Doctor Postma, sé que ha sido el Abogado del señor Bilbeisi y

27 que le ha defendido varios casos a dicho señor; en cuanto al

28 señor Gass exactamente no recuerdo y finalmente al Doctor

29 Koski si bien no le conocí directamente si estuve en sus

30 oficinas en algunas oportunidades cuando acompañé al señor

31 Bilbeisi ocasionalmente pero nunca pasé de la oficina que

recuerdo tiene ciertos cuadros egipcios así como ciertas

33 obras de arte pero nunca tuve una relación directa con él.

34 PREGUNTA: EL ABOGADO RICHARD POSTMA MANIFIESTA QUE ES ABOGADO

35 DE BILBEISI, QUISIERA QUE POR FAVOR AMPLIARA MAS ACERCA DE EL

36 Y SI USTED CONSIDERA QUE EL CONOCIA A BILBEISI PERFECTAMENTE

37 Y DE SUS NEGOCIOS?. Bueno dejeme decirle que considero que

38 como al sacerdote y al abogado no hay que mentirle considero

39 que el señor Bilbeisi le habrá contado a su abogado la verdad

40 de las cosas; entiendo además que él había sido abogado de

41 dicho señor en otros casos de seguros también y que siempre

42 habían ganado los reclamos pero no podría ahondar en que

43 casos y personas. Entiendo además que ellos mantenian buenas

44 relaciones porque recuerdo que él en alguna oportunidad

45 cuando estabamos negociando con la Compañía Mura

46 Internacional a quien él asesoraba también tuvo que venir a

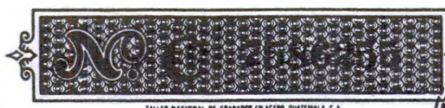
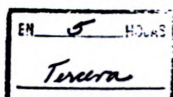
47 la ciudad de Guatemala a verificar si era cierto que el señor

48 Bilbeisi tenía problemas legales, estuvo creo un día y quien

49 fué su contacto en Guatemala recuerdo que fué el señor

50





REGISTRO

Nº 536780

QUINQUENIO  
DE 1988 A 1992

Francisco Valdéz Bocanegra, creo que estuvo hospedado en el Hotel El Dorado. Considero que Bilbeisi tenía mucha confianza en su abogado. Quisiera agregar que el Abogado Postma es de las personas que no trabajan si de antemano no se le han pagado o adelantado sus honorarios.

PREGUNTA: PODRIA CONSIDERARSE QUE LOS DOCUMENTOS QUE EL SEÑOR BILBEISI PRESENTO EN EL JUICIO DE RECLAMO CONTRA LA COMPANIA DE SEGUROS NO SON CIERTOS? No conozco a que documentos se refiere, pero con la mentalidad de dicho señor usted podrá responderse y si esto lo sabía o no su abogado, también usted puede responderse, ya que en último caso quien declara, afirma y presenta prueba es Bilbeisi y él es quien en todo caso será el responsable ante un Juez o ante Jurado.

PREGUNTA: EL DOCTOR POSTMA ERA ASESOR DE MURA INTERNACIONAL? Sí, él asesoraba ciertas cosas, exclusivamente en el ramo profesional, no en las negociaciones propiamente dichas.

PREGUNTA: CONOCE USTED AL SEÑOR JONH LADICOS? No estoy muy seguro, pero quizás sea el que era el capitán del yate de Bilbeisi y a quien dicho señor le encargó posteriormente venderlo, pero no estoy seguro de su nombre y si es él.

PREGUNTA: USTED VIO EN LA CASA DEL SEÑOR BILBEISI EN BOCA RATON OBJETOS DE ARTE? Bueno que vi algunos si pero no se a que se refiere.

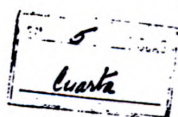
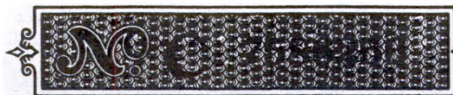
PREGUNTA: ES DECIR SI VIO OBJETOS MUY CAROS Y DELICADOS COMO JARRONES, ALFOMBRAS PERSAS, ETC.? Bueno exactamente no sé que

MINISTERIO DE  
FINANZAS PUBLICAS



50

me quiere preguntar pero realmente si recuerdo en alguna  
 26 oportunidad haber visto algunos objetos, pero no puedo  
 27 decirle con certeza que hubiesen sido objetos de arte  
 28 delicados y finos, es decir conozco yo porque poseo y puedo  
 29 distinguir que es cada cosa y en su lugar. Por ejemplo dicen  
 30 que cuando su esposa la señora que era azafata y que estaba  
 31 viviendo con dicho señor, el abrigo que parece ser que  
 32 reclamaba como perdido tuvo que correr según dicen a comprar  
 33 uno para justificar que efectivamente era otro y no el que  
 34 reclamaba como perdido. Déjeme decirle que en una oportunidad  
 35 estando con el Doctor Postma dicha señora le habló al Abogado  
 36 y le preguntó que si del reclamo que estaba presentado ante  
 37 la compañía de seguros Munther obtendría algún beneficio  
 38 económico que ella seguía con él pero que si no era posible,  
 39 ella no seguiría perdiendo su tiempo con Bilbeisi.  
 40 PREGUNTA: LAS COMPAÑIAS MURA INTERNACIONAL, COFFE INC. Y  
 41 ORION SYSTEMS SON PROPIEDAD DEL SEÑOR BILBEISI? Yo diría que  
 42 sí, es decir entre ellas se manejaban como una sola, tenían  
 43 una sola contadora o tenedora de libros, incluso doña Gloria  
 44 se encargaba de firmar cheques en dichas compañías y cuando  
 45 no tenía dinero de una le pagaban a uno con cheques de las  
 46 otras, de ello un cheque que se me pagó a mí de mil dólares  
 47 de Coffe Inc. y talvéz otros gastos que no recuerde  
 48 exactamente. Déjeme decirle que cuando el señor Bilbeisi  
 49 estaba apurado de dinero sacaba plata de donde hubiese y  
 50



REGISTRO

Nº 536781

QUINQUENIO  
DE 1988 A 1992

1 justificaba sus gastos inclusive de las maneras más

2 inverosímiles que usted se imagina diciendo que había pagado

3 no se cuanto a alguien y otras cuentas a no se quien; en fin

4 su cretividad imaginativa para poder sacar y hacer aparecer

5 gastos era increíble, de todo tipo y monto.

6 PREGUNTA: LA COMPAÑIA UTICA LIMITED ES PROPIEDAD DE BILBEISI?

7 No señor, dicha compañía de la cual soy parte, está en

8 sociedad con otras personas es una compañía de GIBRALTAR y

9 cuando usted lo quiera puedo enseñarle los registros legales

10 de la misma.

11 PREGUNTA: USTED MANIFIESTO ANTERIORMENTE QUE EL SEÑOR

12 FRANCISCO JOSE VALDEZ BACANEGRA TIENE ALGUNA RELACION CON EL

13 SEÑOR BILBEISI? Sí, el como se lo dije anteriormente recibió

14 al Doctor Postma cuando él vino a investigar a Guatemala los

15 problemas de MUNTER tenía en este país. Tengo entendido que

16 ellos han seguido de amigos y se comunican entre sí e

17 inclusive este año en unos de mis viajes a Guatemala estando

18 en el Hotel El Dorado, se me dijo que dicho señor estaba

19 haciendo negocios con él, inclusive yo hablé con la esposa

20 del Ingeniero Valdéz y le advertí de que tuviera cuidado su

21 esposo con la relación de trabajo que podría tener con

22 Bilbeisi ya que era comprometedor cualquier tipo de negocios

23 con él porque inclusive escapaz de hacer cualquier cosa en un

24 momento de perjudicar a alguien.

25 PREGUNTA: USTED CONSIDERA QUE EL SEÑOR FRANCISCO JOSE VALDEZ

MINISTERIO DE  
FINANZAS PUBLICAS



50

PREGUNTA: USTED CONSIDERA QUE EL SEÑOR FRANCISCO JOSE VALDEZ

BOCANEGRA TIENE RELACIONES DE TRABAJO FRECUENTE CON EL SEÑOR

BILBEISI? Desconozco si efectivamen te él trabajaba para él

pero ambas personalida des son parecidas y podría ser; déjeme

concretizar , considero que si talvéz es cierto porque

inclusive yo he hablado con mis contactos en Ammán y se me ha

dicho que el señor Bilbeisi manifiesta que efectivamen te él

tiene al señor Valdéz como su representan te en Guatemala

pero agrego que yo no puedo asegurar esto ya que sólo han

sido las opiniones de terceros.

PREGUNTA: CONOCE USTED AL SEÑOR DAVID DUNKI? Claro que sí,

es un tipo muy soñador y una buena persona, le confío que le

gusta jugar de espia ..... bueno en broma.

PREGUNTA: CONOCE USTED A MARK SILVERIO? No señor, no le

conozco.

PREGUNTA: EL SEÑOR BILBEISI TENIA RELACIONES COMERCIALES CON

EL BCCI? Sí señor, inclusive yo acompañé a dicho señor a las

oficinas del Banco para que él hiciera asignacione s así como

él firmaba con su puño y letra cualquier gestión en dicho

Banco, considero que las negociacion es que dicho señor tenga

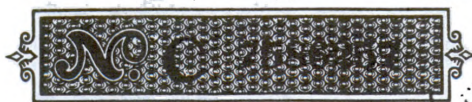
o en su oportunidad pudo haber realizado con dicho Banco eran

comerciales , no puedo afirmar otra cosa más que eso porque

Bilbeisi esos aspectos los manejaba confidencia lmente, pero

además tengo entendido que dicho señor presentó una demanda

én contra del Banco porque dicen que el Banco le tomó



5  
Quinta

REGISTRO

Nº 536782

QUINQUENIO  
DE 1988 A 1992

MINISTERIO DE  
FINANZAS PÚBLICAS



cuatrocientos mil dólares de una asignación por unas deudas  
de café que Bilbeisi tenía con ellos por cuestiones de la  
empresa Coffe Inc., detalles de todo eso no los conozco.  
PREGUNTA: QUIERE USTED AGREGAR ALGO MAS? Efectivamente  
quiero manifestar que la presente declaración la he hecho de  
manera espontánea, sin presiones de ninguna índole, en el  
pleno uso y goce de mis facultades mentales y volitivas y que  
efectivamente la he realizado con el único y exclusivo  
objeto de esclarecer mi situación con el señor Bilbeisi en  
cuanto lo que se me ha preguntado y respondido, pero que  
además quiero dejar bien claro que la presente declaración se  
ha hecho de buena voluntad pero que no estoy dispuesto a  
estar perdiendo mi tiempo en presentarme en tribunales para  
aclarar la misma y que si la presente le he manifestado ante  
un Abogado y Notario es para que sea tomada en cuenta y que  
deseo dejar bien expreso que no acudiré a ninguna cita legal  
y Juez alguno ya que lo manifestado es lo único que tengo que  
decir.  
No habiendo más que hacer constar se finaliza la presente en  
el mismo lugar y fecha de su inicio la cual es leída por el  
compareciente y quien bien enterada de su contenido, objeto,  
validez y demás efectos legales la acepta, ratifica y no  
firma lo hace únicamente el infrascrito Notario quien de lo  
expuesto da fé, finalizando se cuando son las diez horas en  
punto, se hace constar que la misma esta contenida en cinco

50

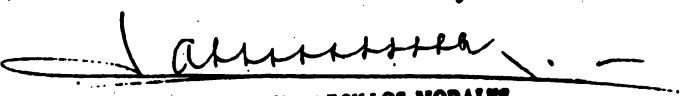
26 hojas de papel sellado del menor valor y actual quinquenio  
27 las cuales se identifican correlativa mente desde la número C  
28 siete millones quinientos ochenta y seis mil doscientos  
29 cincuenta y tres y de registro quinientos treinta y seis mil  
30 setecientos setenta y ocho que es la primera hasta la número  
31 C siete millones quinientos ochenta y seis mil doscientos  
32 cincuenta y siete y de registro quinientos treinta y seis mil  
33 setecientos ochenta y dos que es la presente. DOY FE.-

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A handwritten signature in black ink is written over a circular official stamp. The stamp contains the text "ESTADO DE GUAYMAS" and "SECRETARÍA DE ECONOMÍA" around a central emblem. The signature is a complex, stylized scribble that partially obscures the stamp.

I, EFRAIN ROBERTO VALLECILLOS MORALES, SWORN LEGAL TRANSLATOR, duly authorized in the Republic of Guatemala to translate from the English language into the Spanish language, pursuant to Ministerial Resolution number three, dated January eight nineteen hundred eighty seven, GIVING TO SUCH TRANSLATIONS PUBLIC FAITH AND LEGAL VALUE, DO HEREBY CERTIFY: To have had at sight a document written in the Spanish language, contained in four page(s); said document corresponds to an AFFIDAVIT. The contents of said document faithfully translated by me into the English language to the best of my ability and knowledge read as follows:

"ATTORNEY GENERAL'S OFFICE. GUATEMALA, C.A. In the City of Guatemala on September thirteenth nineteen hundred ninety one, at eleven hours and fifty minutes appear before the Attorney General's Office at its headquarters, located on dieciocho calle diez guion treinta y seis de la zona uno of the City, before the Head of the Controllers Section, José Antonio López Mendoza, Attorney and General Secretary Nery Orellana Leiva, JESUS ALBERTO COPPO GAYOSO, with the purpose of making known to this Institution the following facts. FIRST: Being duly sworn to tell only the truth, and having offered to do so. He has been advised of the penalties for perjury. He declares to be the person named above, fifty years old, married, a Peruvian national, Industrial Engineer, with residence in Geneva Switzerland at 1 Place

  
**Lic. EFRAIN ROBERTO VALLECILLOS MORALES**  
 LEGAL TRANSLATOR  
 SWORN TRANSLATOR  
 Reg. 02-87



he was able to resolve this matter after his business caught fire. QUESTION: If you know the attorneys Richard Postma, David Gass and Arturo Kosqui, what kind of relationship have you had with them? ANSWER: I know Doctor Postma, with whom I have been in some meetings with Bilbeisi, on the matters of the selling of equipment by Mura International, and I have met the other lawyer when I accompanied Bilbeisi to his office, I believe it is doctor Kosquy. QUESTION: Say if the Companies Utica, Mura International, Inc., and Oriun system, as well as Coffee Inc. belong to Bilbeisi. Answer: All of the above mentioned, with the exception of Utica, Limited, belong to Bilbeisi. Munther Bilbeisi has not had nor does he have now any relation with Utica. Question: Which entity or enterprise was the one that initiated, promoted, and finalized the negotiation of the helicopters S76-A. Answer: When I met Bilbeisi he had already done the negotiation, a year before, through Mura International. Te offer of the helicopters and other material to Guatemala. This same company continued the negotiations, subscribed the contract and delivered the equipment. Question: Who intervened in the negotiation and what role did each one have?: Answer: Before my intervention Munther Bilbeisi, Mauricio Coronado and Louis Altamar had participated; I do not have any knowledge if in that time another person intervened in the negotiation. After being in charge of the negotiation,

  
 Efraim A. Morales

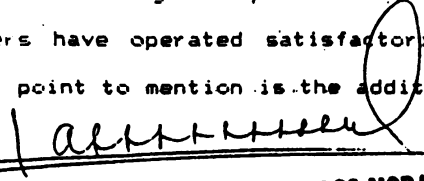
LOS MORALES

LEGAL INTERPRETER  
 SWORN TRANSLATOR  
 Reg. 02-87

Altamar and Coronado continued it, who signed with me the contract of buying and selling and at a certain moment as part of the two mentioned Mario Imeri participates. Many people have visited us offering their professional services, to me and to Bilbeisi, I have not had the direct need of any person during the negotiation. Question: Do you know that Jose Francisco Valdez, Mauricio Coronado, Luis Altamar were given signed assignments by Bilbeisi in the year nineteen hundred ninety eight as well as an account at Lumi Bank of Israel in Miami? Answer: Bilbeisi did sign and directly proceeded with BCCI, the assignments for Coronado and Altamar as payment for their services in the transaction. Mr. Valdez was given payment for his counseling services. I do not know about the account at Leumi Bank of Israel. I do not that in addition to these assignments there was one for the amount of four hundred thousand Dollars that was to BCCI, for the payment of a debt, as I know, Munther Bilbeisi had with said bank for the operations of Coffee, Inc. It is necessary to indicate that every time I have visited that bank, which has been occasionally, I have gone with Munther Bilbeisi who was the only person with an authorized signature before the above mentioned bank to act on behalf of the company, that the assignments as any other instrument go through the process of rectification of signatures of the bank that carries out the transaction. I

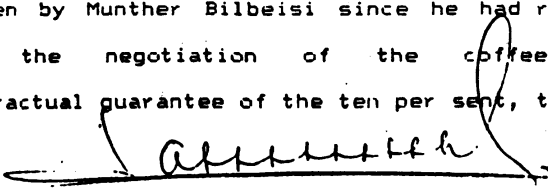


also know that Bilbeisi tried to recuperate the four hundred thousand Dollars from BCCI, with the allegation of technicalities on the documents but up to date I have had no knowledge of any claim done by the bank for paying the assignments mentioned, I mean that as a fact it has accepted because they were made by him. Question: What do you know about the negotiations of helicopters? Answer: When I entered the negotiation there was an offer in progress of the helicopters at a price. A group of people had traveled to Jordan appointed by the ministry of Defense to carry out the inspection of the equipment that had been offered. During my intervention especially in the negotiation of the contract the Major Office of the Army as well as myself have been very careful to guarantee the spare parts to Guatemala that may allow the normal operations of the units that were sold, training of personnel for an adequate operation and the guarantee of delivery in operation in Guatemala and a last inspection by a receiving commission in Jordan to certify the condition of the helicopters before Guatemala makes any payment on the letter of credit, I am pleased to say that all the contractual conditions were met, that the helicopters arrived in Guatemala, were assembled and put in operation before receiving ten per cent of the guarantee. These helicopters have operated satisfactorily up to this date. A special point to mention is the additional delivery

  
**Lic. EFRAIN ROBERTO MORALES**  
 LEGAL INTERPRETER  
 SWORN TRANSLATOR  
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of parts for over a million dollars that was made to Guatemala without asking for any compensation. I would like to take this opportunity to clear the documents that have been presented to me and which make reference to those commissions. The letters signed by Munther Bilbeisi appear with a date prior to my participation in the negotiation and it makes it difficult for me to indicate the circumstances they were carried out, however, I will not believe that the people to whom they were sent asked or received said communications. As for the letters that Munther Bilbeisi presents as a ratification made by me of the letters signed by him, as I have proved, they are alterations of the letters of commissions to the other representatives of commission, what can clearly be seen by the alineation of the part adulterated. I have heard in Guatemala comments about the price of the helicopters. I have not been part of the negotiation between the Jordanian authorities and Munther Bilbeisi, for these three helicopters, and I would say that the offer of prices had been presented before my participation. I consider that it is important to indicate that the price of this equipment as well as of the automobiles, are of public domain, since they are indicated on a blue book that is issued quarterly. In said book the value of used equipment is given for banking purposes and it is a good guide for knowing if the price is just or not. In

the declaration on a press conference by the representative of the Ministry of the Defense, it was proven that the price assigned in that book for the equipment that was bought it was higher than the price paid by Guatemala, in other words, I consider that it is important to say that the price of selling it is always related to the international market more than to subjective aspects. After doing this transaction satisfactorily of these three units, I represented Utica Limited in a new offer for six helicopters from the Jordanian Air Force, this negotiation was not concluded due to the economical difficulties within other factors that existed at the moment of the negotiation. The activities of the banks in the negotiation was the following: Capital Bank gave a Financing Loan to the Government of Guatemala, with that loan the Bank of Guatemala open a letter of credit for the payment of the equipment such as spare parts, insurance and transport. In the contract Mura requested that this letter of credit were confirmed by BCCI, in such a way to be able to guarantee the ten per cent demanded by this bank. Capital Bank did not accept BCCI confirmation of the letter of credit issued by them. The BCCI acted as of the letter of Credit. This bank was chosen by Munther Bilbeisi since he had relation with them in the negotiation of the coffee. As for the contractual guarantee of the ten per cent, this was

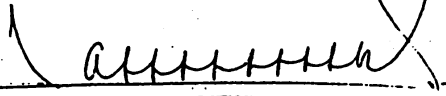
  
**Lt. EFRAIN ROBERTO VALLECILLOS MORALES**  
 LEGAL INTERPRETER  
 SWORN TRANSLATOR  
 Reg 02-87

substituted by a retention for the same amount, which is allowed by the Guatemalan Law. Question: Who else had participation in the negotiation? Answer: Jose Valdez, Attorney, offered Bilbeisi counseling services on the banking aspects, Roberto López offered Bilbeisi his personal counseling and his group concerning public relations. The job of all these people was not significant nor their support was real since all the proceedings were strictly done pursuant to the Institutions taking part. There have not been outside the professional fees any wrong payment to my knowledge. After this negotiation I know that the relationship between Bilbeisi and José Valdez Bocanegra, which confirms their friendship without knowing the nature of this relationship. The authorization of the technical representative was obtained for the negotiation and delivery. Munther Bilbeisi had close communication with members of Sikorsky, who have been continually in Amman due to the relation with the Jordanian Air force. As for the authorization this has not been necessary because it is not a part of the negotiation. It was supervised by the engineer Hames Romer who worked for Sikorsky in Amman, he traveled to Guatemala to act in the reception and later accepted to subscribe a contract for maintenance with the Major Office of the Army. With nothing more to add these presents come to a close at thirteen hours with twenty five minutes at the

place and date indicated. Well aware of its contents, validity and legal effects, he ratifies it accepts it and signs it, Together with the undersigned who attest. (There appear three illegible signatures).

END OF TRANSLATION

IN WITNESS THEREOF, and at the request of interested party, for the legal uses they may deem convenient, and without assuming any responsibility whatsoever for the contents of the translated document I Hereby issue this sworn legal translation contained in five page(s).- IN THE CITY OF GUATEMALA, ON THE NINTH DAY OF THE MONTH OF OCTOBER NINETEEN HUNDRED NINETY ONE.

  
**Lic. EFRAIN ROBERTO VALLECILLOS MORALES**  
 LEGAL INTERPRETER  
 SWORN TRANSLATOR  
 Reg. 02-87

I, EFRAIN ROBERTO VALLECILLOS MORALES, SWORN LEGAL TRANSLATOR, duly authorized in the Republic of Guatemala to translate from the English language into the Spanish language, pursuant to Ministerial Resolution number three, dated January eight nineteen hundred eighty seven, GIVING TO SUCH TRANSLATIONS PUBLIC FAITH AND LEGAL VALUE, DO HEREBY CERTIFY: To have had at sight a document written in the Spanish language, contained in two page(s); said document corresponds to a NEW ACCUSATION. The contents of said document faithfully translated by me into the English language to the best of my ability and knowledge read as follows:

"ATTORNEY GENERAL'S OFFICE

OFFICE OF THE GOVERNMENT OF THE REPUBLIC OF GUATEMALA

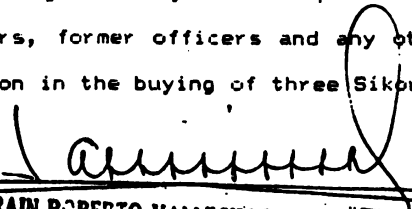
ATTORNEY

GUATEMALA, C.A.

NEW ACCUSATION

HONORABLE FIRST JUDGE OF THE FIRST INSTANCE OF PENAL INSTRUCTION.

THE ATTORNEY GENERAL'S OFFICE, based upon the norms of punitive character that the Political Constitution of the Republic of Guatemala, its Organic Law, and the Penal Proceedings Code grant. By these presents appears to denounce officers, former officers and any other person who had participation in the buying of three Sikorsky

  
**DR. EFRAIN ROBERTO VALLECILLOS MORALES**  
 LEGAL INTERPRETER  
 SWORN TRANSLATOR  
 Reg. 02-87

Helicopters. And for that effect we assign our headquarters address to receive citations and services at Dieciocho Calle diez guion treinta y seis, Zona Uno of this City. Respectfully before your Honor

DECLARES

I. This Office became aware of the transaction of buying and selling, carried out by the State of Guatemala, through publications reported by "Time Magazine" edited in the United States and through information from other sources of social communication of this country. These transactions were done between the Presidential Office and the individuals: Mauricio Eduardo Coronado Lara; Alberto Coppo Gayoso, an Industrial Engineer; and Louis Charles Altamar, as Representatives of Mura International Company, Corporation. The commercial relationship consisted on the buying and selling of three Sikorsky helicopters made in the U.S.A. acquired from the Jordanian Air Force. The amount paid was that of five million one hundred seventy five thousand American Dollars.

II. The Attorney General's Office presented the testimonial and documentary evidence, based on the above mentioned publications. We initiated the pertinent investigations. Consequently, from such actions, upon making the corresponding study, we arrived at the conclusion of the commission of a crime and punishable acts.

III. This accusation is to bring suit to clear the foregoing acts. These acts may have been simultaneous and posterior to the above mentioned transaction. And, to resolve the culpability and responsibility incurred by officers, ex officers and any other person.

#### LEGAL BASIS:

The legal basis precept the ordinance of penal adjective to which the intervention of the Attorney General is obliged in the handling of proceeds of public action... it may intervene before the respective authorities, even before the initiation of the proceedings, in the findings and investigations that may be convenient... the exercise of the corresponding penal action, essentially the Attorney General... whomsoever may have knowledge of the commission of a crime in any form, he shall bring it forth before a judge. Articles: 16, 18, 331 of the Penal Code. It corresponds to the District Attorney's Office, to promote action of justice and of public administration when it concerns the public interest and order. Article 24, item 3rd. of the Decree 512 of the Congress of the Republic.

#### OF THE MEANS OF INVESTIGATION

I. The dossier which contains official letters, notes, letters, cablegrams, bank accounts held abroad. These documents are from officers, ex officers and any person who had participation in previous, simultaneous and posterior

  
**LL. EFRAIN ROBERTO VALLECILLOS MORALES**  
 LEGAL INTERPRETER  
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 Reg. 02-87



acts in the contract of buying and selling of the Sikorsky helicopters;

II. Acknowledgment of the declaration presented by Louis Charles Altamar signed at the headquarters of the Attorney General's Office:

III. Presumptions

Due to the above mentioned, we request to his Honorable Judge

PETITION:

I. That with these records initiate the formation of the respective expedient sand to hold as presented the documents annexed, duly mentioned on items I and II of this trial brief;

II. To receive services at the above mentioned address;

III. To have as offered the means of investigation presented on this brief;

IV. To initiate the corresponding instructions of prosecution To order the necessary actions that may be deemed pertinent beginning from the documentation annexed;

V. To order all urgent precautionary measures that your Honor may deem relevant; Citation of Law and Articles: 11, 18, 19, 24, 26, 31, 38, 39 54, 60, 67, 181, 210, 241, 244, 246, 260, 292, 305, 311, 318, 333, 335, 342, of the Penal Code; 25, 26, and 33 of Decree number 512 of the Congress of the Republic.

I ANNEXED A DUPLICATE AND THREE COPIES OF THIS BRIEF, AS WELL AS THE DOCUMENTS RELATED, DUPLICATE AND LEGAL COPIES.

Guatemala, September 18 1991.

END OF TRANSLATION

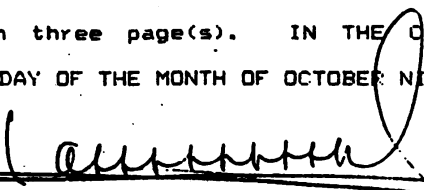
IN WITNESS THEREOF, and at the request of interested party, for the legal uses they may deem convenient, and without assuming any responsibility whatsoever for the contents of the translated document I Hereby issue this sworn legal translation contained in three page(s). IN THE CITY OF GUATEMALA, ON THE NINTH DAY OF THE MONTH OF OCTOBER NINETEEN HUNDRED NINETY ONE.

JOSE ANTONIO LOPEZ MENDOZA, Attorney.

Head of the Controller Section."

END OF TRANSLATION

IN WITNESS THEREOF, and at the request of interested party, for the legal uses they may deem convenient, and without assuming any responsibility whatsoever for the contents of the translated document I Hereby issue this sworn legal translation contained in three page(s). IN THE CITY OF GUATEMALA, ON THE NINTH DAY OF THE MONTH OF OCTOBER NINETEEN HUNDRED NINETY ONE.

  
**Lc. EFRAIN ROBERTO VALLECILLOS MORALES**  
LEGAL INTERPRETER  
SWORN TRANSLATOR  
Reg. 02-87



**PROCURADURIA GENERAL DE LA NACION  
MINISTERIO PUBLICO**

GUATEMALA, C. A.

DENUNCIA NUEVA

SEÑOR JUEZ PRIMERO DE PRIMERA INSTANCIA PENAL DE INSTRUCCION.

EL MINISTERIO PUBLICO, con fundamento a las normas de carácter imperativo categóricas, que le confieren la Constitución Política de la República de Guatemala, su Ley Orgánica y el Código Procesal Penal, por el presente memorial comparece a incoar DENUNCIA en contra de funcionarios, exfuncionarios y demás personas que tuvieron participación en la compra de tres helicópteros Sikorsky. Para el efecto señala para recibir citaciones y notificaciones la sede de sus oficinas centrales situadas en dieciocho calle diez quince treinta y seis de la zona uno de esta ciudad. Respetuosamente al señor juez.

**EXPONE:**

I. En virtud de publicaciones de la "Revista Time" de los Estados Unidos de América y asimismo por informaciones de otros medios de comunicación social del país, el Ministerio Público se enteró de la compra venta efectuada por el Estado de Guatemala, por medio del Estado Mayor Presidencial y los señores: Mauricio Eduardo Coronado Lara, Ingeniero Industrial Alberto Coppo Gayoso y Louis Charles Altamar, representantes de la Compañía Mura Internacional, Sociedad Anónima, de tres helicópteros Sikorsky de manufactura Norteamericana, a la Fuerza Aérea de Jordania, por una suma de cinco millones ciento setenta y cinco mil dólares americanos.

II. El Ministerio Público, en base a dichas publicaciones inició las investigaciones pertinentes y, como consecuencia, se aportaron las evidencias testimoniales y documentales, de cuyas actuaciones, al realizar el estudio correspondiente se desprende la comisión de hechos y



actos punibles.

III. Para el efecto de aclarar los hechos anteriores, simultáneos y posteriores a la negociación indicada y, determinar la culpabilidad y consiguiente responsabilidad en que hayan incurrido ex-funcionarios, funcionarios y demás personas, es que se promueve esta denuncia.

#### FUNDAMENTO DE DERECHO:

Preceptúa el ordenamiento adictivo penal que es obligada la intervención del Ministerio Público en todos los trámites del proceso de acción pública... podrá asimismo intervenir ante las autoridades respectivas, aún antes de la iniciación del proceso, en la comprobación e investigación que fueran convenientes.... el ejercicio de la acción penal correspondiente, esencialmente al Ministerio Público... Quien tuviere conocimiento de un hecho delictuoso en cualquier forma, tiene que ponerlo en conocimiento del juez. Artículos:16,68,331 del Código Procesal Penal. Corresponde a la Fiscalía, promover la acción de la justicia y de la administración pública en cuanto concierne al interés o al orden público. Artículo 24 numeral 3o. del Decreto 512 del Congreso de la República.

#### DE LOS MEDIOS DE INVESTIGACION:

I. Expediente que contiene oficios, notas, cartas mensajes telegráficos, número de cuentas bancarias del exterior, de las personas, ex-funcionarios y funcionarios que tuvieron participación en hechos anteriores, simultáneos y posteriores al contrato de compraventa de los helicópteros Skorsky;

II. Acta levantada en las oficinas centrales del Ministerio Público, de



C

**PROCURADURIA GENERAL DE LA NACION  
MINISTERIO PUBLICO**

GUATEMALA, C. A.

la declaración prestada por el señor Louis Charles Altamar:

**III. Presunciones.**

Por todo lo anteriormente expuesto, al señor Juez atentamente se formula la siguiente,

**PETICION:**

I. Que con el presente memorial de denuncia se inicie la formación del expediente respectivo y se tengan por presentados los documentos que se adjuntan, debidamente señalados en los numerales I y II de este escrito;

II. Que se tenga lugar para recibir notificaciones el señalado en el cuerpo de este memorial;

III. Se tenga por ofrecidos los medios de investigación indicados en el apartado fáctico de este escrito;

IV. Que se inicie la instrucción sumarial correspondiente, mandándose practicar para el efecto cuanta diligencia se considere pertinente y se desprenda de la documentación acompañada;

V. Que se ordenen todas las medidas cautelares y de urgencia que el señor juez estime conducentes;

IV. Que se le dé la intervención correspondiente a esta Institución.

Leyes citadas y artículos:

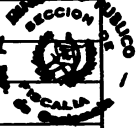
11, 18, 19, 24, 26, 31, 38, 39, 54, 60, 67, 181, 210, 214, 244, 246, 260, 292, 305, 311, 318, 333, 335, 342, del Código Procesal Penal; 25, 26 y 33 del Decreto número 512 del Congreso de la República.

ACOMPAÑO DUPLICADO Y TRES COPIAS DEL PRESENTE MEMORIAL, ASI COMO LOS

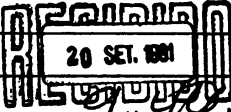
DOCUMENTOS RELACIONADOS, DUPLICADO Y COPIAS DE LEY.

Guatemala, 18 de septiembre de 1991

*Jose Antonio Lopez Mendez*  
 Lto. JOSE ANTONIO LOPEZ MENDEZ  
 Jefe Sección/Fiscalía



Juzgado Primero de Primera Instancia  
 Penal de Instrucción



A la  
 Por

Razon: Se reciben

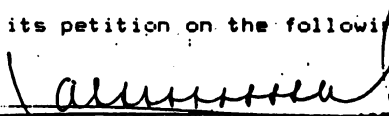
333 folios ofrecidos  
 como medios de Investi-  
 gación. Conste.

I, EFRAIN ROBERTO VALLECILLOS MORALES, SWORN LEGAL TRANSLATOR, duly authorized in the Republic of Guatemala to translate from the English language into the Spanish language, pursuant to Ministerial Resolution number three, dated January eight nineteen hundred eighty seven, GIVING TO SUCH TRANSLATIONS PUBLIC FAITH AND LEGAL VALUE, DO HEREBY CERTIFY: To have had at sight a document written in the Spanish language, contained in four page(s); said document corresponds to ACTION No. 3773-91. - - - - - The contents of said document faithfully translated by me into the English language to the best of my ability and knowledge read as follows: "ATTORNEY GENERAL'S OFFICE. GUATEMALA, C.A.

HONORABLE FIRST JUDGE OF FIRST INSTANCE OF PENAL INSTRUCTION. ACTION No. 3773-91. 5th. Service Officer. THE ATTORNEY GENERAL'S OFFICE makes reference to the above indicated action which contains an accusation as consequence of the buying and selling of three Sikorsky helicopters. It appear pursuant to the following:

#### FACTS

I. That on September twenty of the current year, the accusation to prosecute was presented by this institution duly identified ut-supra. on number VII) of the corresponding resolution, it determines a deadline of EIGHT DAYS to expand on its petition on the following: "1st.)

  
**Lt. EFRAIN ROBERTO VALLECILLOS MORALES,**  
 LEGAL INTERPRETER  
 SWORN TRANSLATOR  
 Reg. 02-87

Name of the person or persons whom it accuses on the buying and selling of three Sikorsky helicopters", to that respect, the following persons are accused: a) MILTON DAVID CEREZO GARCIA, b) JOSE FRANCISCO VALDEZ BOCANEGRA, Aka, JOSE FRANCISCO VALDEZ, c) MAURICIO CORONADO LARA, d) MUNTER ISMAIL BILBEISI; e) LOUIS CHARLES ALTEMAR, Aka LUIS ALTEMAR; f) SANDRA GIOVANA DURAN DE MARI; g) HECTOR ALEJANDRO GRAMAJO MORALES, h) MARCO ANTONIO VARGAS ESPINOZA, i) MARCO VINICIO CEREZO AREVALO, j) ROBERTO MATA GALVEZ; k) JESUS ALBERTO COPPO GAYOSO..... As for the second item, that in order to arrive to the finalization of the transaction (contract of buying and selling) Mura International, mainly its legal representatives, following instruction of Munther Ismail Bilbeisi, of Jordanian origin, paid a series of commissions..... such declaration may be established on the annexed documentation. As for the third item, we annex the original, copies, certifications, and legalized photocopies which will be used as basis to deepen the investigation, as well as their respective translations. As for the fourth item, it is not possible to annexed the present due to the fact that we are working on its translation. However, we annex the mass media publications of the country, and Time Magazine dated June twenty four of the current year on a non legal translation.

As for the fifth item, as of the moment we only know the



addresses of the following individuals: JESUS ALBERTO COPRO GAYOSO, in Geneva, Switzerland at 1 Place des Florentines, 1204 or at octava calle seis guión cero seis Zone one (8th Street 6-06 Zone 1) Suite four hundred and five of the city; LOUIS CHARLES ALTEMAR may be located at his residence at eleven fifty (1150) NW Seventy Second (72nd) Avenue, Miami Florida thirty three thousand one hundred twenty six (33126) United States of America. As for the sixth item, makes reference to the expedient, (which was annexed to the accusation) besides the ones being presented on this writing and, as for the testimonial evidence, they are being presented on this extension. and, as for the seventh item, on this brief we are presenting the details referred to seventh.

#### LEGAL BASIS

The precept of the penal adjective which makes the intervention of the Attorney General's Office in the proceeds of public action... as well as the exercise of the corresponding punitive action. Likewise, the judge shall move at his own initiative, as essential subject of investigation. He will prove and establish the facts seeking coincidence between the historical truth and the formal or juridical and he shall resolve, according to the judicial records.... Likewise, the judges shall, within the process, issue measures that may not be specifically

*Alfonso*  
**Lt. EFRAIN RIVERA VALLECILLOS-MORALES**  
 LEGAL INTERPRETER  
 SWORN TRANSLATOR  
 Reg 02-87

mentioned by the law which may be according to law for a better fulfillment of the jurisdiction, and, finally, it is of concern of this Office, to promote the action of Justice when it concerns the public interest and order. Articles: 16, 38, 125 of the Penal Code; 24 number three of Decree number 512 of the Congress of the Republic.

#### PETITION

I. To have as presented this brief, annexing it to the previous.

II. To have as motioned the intervention of the Attorney General's Office, carrying out every act that may be necessary for the clarification of the act that was timely denounced;

III. To have the petition formulated on the denouncement brief as extended, having fulfilled the requirements requested on the resolution dated September twenty of the current year, with the exception of what was required on item four, due to the reasons presented on the factual item of this brief.

IV. To continue notifying this institution, whatsoever resolution at the mentioned address on the accusation dated September eighteenth of the current year.

#### LAW

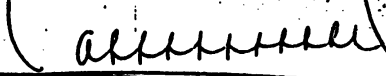
Laws and articles: 251 of the Political Constitution of the Republic of Guatemala; 11, 18, 19, 24, 25, 26, 30, 31, 32,

36, 39, 41, 44, 49, 53, 54, 60, 63, 68, 73, 100, 124, 128, 130, 173, 181, 220, 216, 244, 246, 260, 253, 258, 270, 273, 275, 279, 290, 292, 293, 297, 305, 311, 315, 318, 333, 335, 336, 337, 340, 342, 354, 356, 404, of the Penal Code, 24, 25 and 26 of Decree 512 of the Congress of the Republic, 9, 50, 51, 52, 57, 58 of the Judicial Organism Law.

ANNEXED A DUPLICATE AND THREE COPIES OF THIS BRIEF, AS WELL AS THREE COPIES OF THE ANNEXED DOCUMENTS. Guatemala, October 4 1991. José Antonio López Mendoza, Attorney. Head of the Controller Section."

# END OF TRANSLATION

IN WITNESS THEREOF, and at the request of interested party, for the legal uses they may deem convenient, and without assuming any responsibility whatsoever for the contents of the translated document I Hereby issue this sworn legal translation contained in three page(s).- IN THE CITY OF GUATEMALA, ON THE NINTH DAY OF THE MONTH OF OCTOBER NINETEEN HUNDRED NINETY ONE.

  
**Lc. EFRAIN ROBERTO VALLECILLOS MORALES**  
 LEGAL INTERPRETER  
 SWORN TRANSLATOR  
 Reg. 02-87



**PROCURADURIA GENERAL DE LA NACION  
MINISTERIO PUBLICO  
GUATEMALA, C. A.**

SEÑOR JUEZ PRIMERO DE PRIMERA INSTANCIA PENAL DE INSTRUCCION:

PROCESO No. 3773-91 OFICIAL: 5to.

El MINISTERIO PUBLICO, se refiere al proceso arriba identifica-  
do y que contiene denuncia como consecuencia de la compraven-  
ta de tres Helicópteros Sikorsky. Respetuosamente comparece -  
de conformidad con los siguientes,

**H E C H O S:**

I.- Con fecha veinte de septiembre del año en curso, se le dió  
trámite a la denuncia presentada por esta Institución debida-  
mente identificada ut-supra. En el numeral VII) de la resolu-  
ción correspondiente, se fija al Ministerio Público el impro-  
rogable plazo de OCHO DIAS para que amplíe su solicitud en -  
los siguientes puntos: "1o.) Nombre de la persona o personas  
a quienes sindica por la compra de tres helicópteros Sikorsky"  
al respecto se sindican a las siguientes personas: a) MILTON  
DAVID CEREZO GARCIA, b) JOSE FRANCISCO VALDEZ BOCANEGRA o JOSE  
FRANCISCO VALDEZ, c) MAURICIO CORONADO LARA; d) MUNTER ISMAIL  
BILBEISI; e) LOUIS CHARLES ALTEMAR o LUIS ALTEMAR; f) SANDRA  
GIOVANA DURAN DE MARI; g) HECTOR ALEJANDRO GRAMAJO MORALES, -  
h) MARCO ANTONIO VARGAS ESPINOZA; i) MARCO VINICIO CEREZO ARE-  
VALO, j) ROBERTO MATA GALVEZ; k) JESUS ALBERTO COPPO GAYOSO...  
En cuanto al punto 2o., se consigna que para arribar a la fi-  
nalización de la negociación (contrato de compraventa) se dis-  
pon por parte de la Compañía Mura International, Sociedad Anó-  
nima, principalmente sus representantes legales, obedeciendo.

WJORN



26 instrucciones del señor de origen Jordano, Munther Ismail Bil-  
 27 beisi, una serie de prevendas, comisiones. .... lo que se pue-  
 28 de establecer con la documentación que se acompaña. En rela-  
 29 ción al punto 3o.) Se acompañan originales, copias certifica-  
 30 das y fotocopias legalizadas, de los documentos que sirven de  
 31 base para profundizar en la investigación, además con las res-  
 32 pectivas traducciones. En cuanto al punto 4o.) por el momento  
 33 no es posible, acompañar la misma, en virtud de que se está --  
 34 trabajando en la respectiva traducción, sin embargo se acompa-  
 35 ñan las publicaciones de los medios de comunicación social del  
 36 país, y de la Revista TIME del veinticuatro de junio del año --  
 37 en curso en traducción simple.  
 38 En relación al punto 5o.), por el momento únicamente se cono-  
 39 cen las direcciones de las siguientes personas: JESUS ALBERTO  
 40 COPPO GAYOSO, en Ginebra Suiza en 1 Place des Florentines, --  
 41 1204 o en octava calle seis quión cero seis de la zona uno, ofi-  
 42 cina cuatrocientos cinco de esta ciudad; LOUIS CHARLES ALTEMAR  
 43 puede ser localizado en su residencia situada en once cincuen-  
 44 ta (1150) NW setentidos (72) Ave Miami Florida treinta y tres  
 45 mil ciento veintiseis (33126) Estados Unidos de América. En -  
 46 cuanto al punto 6o.) se refiere al expediente (que se acompañó  
 47 a la denuncia) más las que por este memorial se están aportan-  
 48 do y, en cuanto a las evidencias testimoniales, se están apor-  
 49 tando en esta ampliación tales evidencias. Y, finalmente en  
 50 cuanto al punto 7o.) en este acta se están aportando y acom-

26 memorial de denuncia, teniéndose para el efecto por cumplidos los  
 27 requisitos exigidos en resolución de fecha veinte de septiembre  
 28 del año en curso, a excepción de lo requerido en el punto cuar  
 29 to, por las razones invocadas en el apartado fáctico de este -  
 30 memorial;

31 IV.- Que se citen a las personas mencionadas en el cuerpo de -  
 32 este memorial, para recibir sus declaraciones en la forma que  
 33 el Juez considere pertinente, y por acompañado los documentos  
 34 adjuntos.

35 V.- Qua se continúe notificando a esta Institución, cuanta re-  
 6 solución se dicte en el lugar señalado en la denuncia de fecha  
 7 dieciocho de septiembre del presente año.-

#### 3 CITA DE LEYES:

3 Leyes citadas y artículos: 251 de la Constitución Política de  
 3 la República de Guatemala; 11,18,19,24,25,26,30,31,32,36,39, -  
 4 41,44,49,53,54,60,63,68,73,100,124,128,130,173,181,210,216,244,  
 5 246,260,253,258,270,271,273,275,279,290,292,293,297,305,311,-  
 6 315,318,333,335,336,337,340,342,354,356,404 del Código Proce-  
 7 sal Penal; 24,25, y 26 del Decreto 512 del Congreso de la Repú  
 8 blica; 9,50,51,52,57,58 de la Ley del Organismo Judicial.

9 VAN DUPLICADO Y TRES COPIAS DEL PRESENTE MEMORIAL, ASI COMO DU  
 10 PLICADO Y TRES COPIAS DE LOS DOCUMENTOS ACOMPAÑADOS.

Guatemala 4 de Octubre de 1,991

Lic. José Antonio Lóp. andoza  
 Jefe de la Sec: de calía.

I, EFRAIN ROBERTO VALLECILLOS MORALES, SWORN LEGAL TRANSLATOR, duly authorized in the Republic of Guatemala to translate from the English language into the Spanish language, pursuant to Ministerial Resolution number three, dated January eight nineteen hundred eighty seven, GIVING TO SUCH TRANSLATIONS PUBLIC FAITH AND LEGAL VALUE, DO HEREBY CERTIFY: To have had at sight a document written in the Spanish language, contained in two page(s); said document corresponds to an ARREST ORDER. The contents of said document faithfully translated by me into the English language to the best of my ability and knowledge read as follows: " ATTORNEY GENERAL'S OFFICE AGENCY. Guatemala, C.A. BRIEF No. 92-91. Puerto Barrios, Izabal, September 12, 1991. Carlos Alberto Alvarez López, Attorney.. Head of Controller Section of The Attorney General's Office. Guatemala.

I Hereby annex copy of order of arrest issued by Judge First of First Instance of Sentence of this city, which is dated September 2 of the current year against the accused: ISMAEL MUNTER BILBEISIE or MUNTER BILBEISIE, accused of SMUGGLING AGAINST THE PUBLIC TREASURY PERTAINING TO CUSTOMS. Said proceeding was initialized due to a complaint presented by this institution before the Second Tribunal of First Instance of Instruction of this city, but due to inhibition of the same it was sent to the First Tribunal of First Instance and it in turn sent it to be accumulated to

the other proceedings previously initiated. With nothing more to add, sincerely, (illegible signature), Manuel

Alfonso Ramirez Villeda,

Attorney. Agent of the Attorney General's Office. (There appears the impression of a rubber stamp which reads):

"Secretaryship of the Attorney General's Office. September 19, 1991. Time: 14 hours and 30 minutes. Registry: A-0146."

(The second page reads): "Puerto Barrios, September 2, 1991.

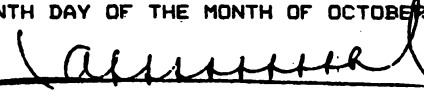
To: Chief of the National Police., To: General Director of Public Finance Guard, To: Chiefs and sub-Chiefs of the National Police and Public Finance Guard. CIRCULAR LETTER TO ALL THE REPUBLIC. No. 140-91. Secretary. RADUA ISMAEL

MUNTER BILBEISIE, Aka MUNTER BILBEISIE, Aka MUNTER ISMAIL BILBEISI, from Tampa Florida, United States of America:

Charge: SMUGGLING AGAINST PUBLIC TREASURY PERTAINING TO CUSTOMS AND TAX EVASION. Presented before a Court where the process is being handled; avoiding all kinds of oppression.

(illegible signature), (illegible). END OF TRANSLATION. IN WITNESS THEREOF, and at the request of interested party, for the legal uses they may deem convenient, and without assuming any responsibility whatsoever for the contents of the translated document I Hereby issue this sworn legal

translation contained in two page(s). IN THE CITY OF GUATEMALA, ON THE NINTH DAY OF THE MONTH OF OCTOBER HUNDRED NINETY ONE.

  
**Mr. EFRAIN R. BERTO VALLECILLOS MORALES**  
 LEGAL INTERPRETER  
 SWORN TRANSLATOR  
 Reg. 02-87





PROCURADURIA GENERAL DE LA NACION  
MINISTERIO PUBLICO

GUATEMALA, C. A.

OFICIO No. 92-91.-

Puerto Barrios, Izabal, 12 de Septiembre de 1,991.-

Licenciado;  
Carlos Alberto Alvarez López  
Jefe de la Sección de Fiscalía del  
Ministerio Público.-  
Guatemala.-

Atentamente me dirijo a usted con la finalidad de adjuntarle al presente, la copia de la Captura ordenada por el Juzgado Primero de Primera Instancia de Sentencia de esta ciudad, la cual tiene fecha 2 del mes de Septiembre del corriente año, en contra del sindicado; ISMAEL MUNTER BILBEISIE O MUNTER BILBEISIE, por los delitos de CONTRABANDO A LA HACIENDA PUBLICA EN EL RAMO DE ADUANAS; dicho proceso se inició por querrela presentada por esta Institución ante el Juzgado Segundo de Primera Instancia de Instrucción de esta ciudad, pero por Inhibitoria del mismo se cursó al Juzgado de Primera Instancia y éste lo mandó acumular a los otros procesos ya iniciados con anterioridad.-

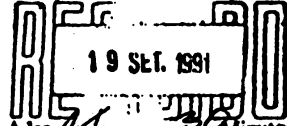
Sin otro particular, aprovecho la oportunidad para suscribirme de usted como su atento y seguro servidor.-



Licenciado; Manuel Alfonso Ramírez Villeda.-  
Agente Auxiliar del Ministerio Público.-

Secretario del Ministerio Público

Guat



A las 74 Minutos  
Registro No.

A-0146

Puerto Barrios, septien/2 de 1991



3 SET. 1991

As Director General de la Policía Nacional,  
 As Director General de la Guardia de Hacienda,  
 As Jefes y sub-Jefes de la Policía Nacional y Guardia de Hacienda,  
 CIRCULAR A TODA LA REPUBLICA.

No. 110.-El Sr. RAFAEL ISRAEL JENTHER MELLESIS o MEL-  
 THER MELLESIS o HERNAN MELLESIS, Originario Tampa Florida, Esta-  
 dos Unidos Norte América; Delitos: CONTRABANDO A LA HACIENDA PUBLICA EN EL  
 PAIS DE ADUANAS Y EVASION DE IMPUESTOS, ser habido poniedo disposición  
 ante Tribunal donde transite proceso; evitando cual sea clase de vicio-  
 nes. Kalen. Alente.

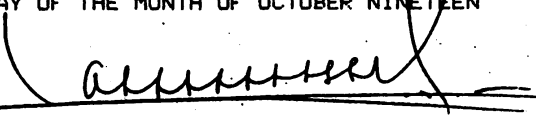
*[Signature]*  
 Sr. HORACIO HERNANDEZ ZUCCHINI PAIZ  
 Jefe de la Inspección Departal.



beginning, at thirteen hours and forty five minutes. Well aware of its legal effects, object, he ratifies it, signs it with the undersigned who Attest. (There appear three illegible signatures), (Stamp) "Nery Orellana Leiva, general Secretary. (There appears the impression of a rubber stamp which reads): "ATTORNEY GENERAL'S OFFICE. Controllers Section." - - - - -

END OF TRANSLATION

IN WITNESS THEREOF, and at the request of interested party, for the legal uses they may deem convenient, and without assuming any responsibility whatsoever for the contents of the translated document I Hereby issue this sworn legal translation contained in three page(s). IN THE CITY OF GUATEMALA, ON THE TENTH DAY OF THE MONTH OF OCTOBER NINETEEN HUNDRED NINETY ONE.

  
**Lic. EFRAIN ROBERTO CANEVELLOS MORALES**  
 LEGAL INTERPRETER  
 SWORN TRANSLATOR  
 Reg. 02-87

I, EFRAIN ROBERTO VALLECILLOS MORALES, SWORN LEGAL TRANSLATOR, duly authorized in the Republic of Guatemala to translate from the English language into the Spanish language, pursuant to Ministerial Resolution number three, dated January eight nineteen hundred eighty seven, GIVING TO SUCH TRANSLATIONS PUBLIC FAITH AND LEGAL VALUE, DO HEREBY CERTIFY: To have had at sight a document written in the Spanish language, contained in two page(s); said document corresponds to an AFFIDAVIT. The contents of said document faithfully translated by me into the English language to the best of my ability and knowledge read as follows:

"ATTORNEY GENERAL'S OFFICE. GUATEMALA, C.A. In the City of Guatemala on September fourth nineteen hundred ninety one, at eleven hours and twenty minutes appear before the Attorney General's Office at its headquarters, located on dieciocho calle diez guion treinta y seis de la zona uno of the City, before the Head of the Controllers Section, José Antonio López Mendoza, Attorney and General Secretary Nery Orellana Leiva, Louis Charles Altemar, with the purpose of making known to this Institution the following facts and circumstances. Being duly sworn to tell only the truth, and having offered to do so. He has been advised of the penalties for perjury. He declares to be the person named above, married, a businessman, from Haiti, of the United States citizenship, with residence at eleven fifty 1150 NW

  
**Mr. EFRAIN ROBERTO VALLECILLOS MORALES**  
 LEGAL INTERPRETER  
 SWORN TRANSLATOR  
 Reg 02-87

Seventy second (72nd) Ave., Miami Florida. 33126. He identifies himself with his passport issued by the Agency in Miami, United States of America number Zero-four-zero-one-zero-zero-eight-zero-zero-(040100800), document that was had at sight and immediately returned to him. FIRST: He declares that for any proceeding he may be called to attest through the U.S. Assistant Attorney, Andres Rivero, before a Court of the United States for the Southern District of Florida, Dade County. SECOND: He declares that it is of his free will to declare that in the year nineteen hundred eighty five, in the month of November, Munther Ismail Bilbeisi hired him to act as a pilot and messenger, during which time he traveled through Central America following orders from Bilbeisi, with the purpose of paying coffee accounts in Honduras and Guatemala. In Honduras the payments were made to Carlos Dubón, a business man, as well as to Andara Flores who is a business man in Comayagua. The purpose of those payments was for tax evasion in general in the Republic of Honduras. As to Guatemala, in nineteen hundred eighty six he also paid high sums of money, approximately over two million dollars to the following persons: Wallace Papadopolos and Arnaldo Esquivel López who are Guatemalan nationals, he also had knowledge of a transfer for the amount of six hundred thirty eight thousand dollars that Bilbeisi and his company Coffee Inc. made on behalf of COIRSA, International

Representation Company, said amounts were for the exportation of Guatemalan coffee which was smuggled from Guatemala to the United States of America, whose purpose was to evade taxes and making it appear as being Salvadorian coffee in transit using for payment the Bank of Credit and Commerce International (BCCI) which had knowledge of the smuggling transaction that Coffee Inc. and Bilbeisi were doing. This bank offered its banking system and its banking operations, cashiers cheques, and letters of credit to carry out the illegal operations. He continues declaring that the coffee smuggled from Guatemala is the same Bilbeisi claims to Lloyds of London on a fraudulent claim. THIRD: In relation to the transaction of three helicopters Sikorsky he wishes to attest the following: That in the year nineteen hundred eighty six through him, The government of Guatemala needed military equipment, and Bilbeisi told him that he had military equipment. The Sikorsky company had informed him in the United States of America, he knew that the military equipment was in Jordan and the person attesting looked for the ex Consul Mauricio Eduardo Coronado in Miami who let him know about the military and civilian contacts in the Republic of Guatemala. He also knew that the ex Consul became in contact with General Mata Galvez, General Alejandro Gramajo, the former president of the Republic Vinicio Cerezo. That in nineteen hundred eighty seven, in



**Lt. EFRAIN R.**

**MORALES**

LEGAL INTERPRETER  
SWORN TRANSLATOR

July, General Gramajo authorized with his signature for several Guatemalan military officers travel to Jordan to check eighteen helicopters and sixteen airplanes, fourteen F five A and two F five B, d. However President Cerezo was to contract the buying of twelve F dash five A (F-5A) and four F dash five B (F-5B) aircraft, pursuant to a brief dated January twenty nineteen hundred eighty eight addressed to Mura International, whose proprietor is Bilbeisi. He indicated former President Cerezo that he wanted half of the payment in coffee and half in cash because the first offer from Bilbeisi to Cerezo was a total finance for the military equipment which he was not able to fulfill at the moment of the closing of the deal and the President did not accept those conditions. In this situation, due to the problems that arose, Milton Cerezo intervened and Bilbeisi appointed Alberto Coppo Gayoso as Vice-President International for Mura International, granted him all power to do business in Guatemala specifically the selling of the military equipment, having negotiated only three Sikorsky helicopters for the amount of five million one hundred seventy five thousand Dollars, but it shoes in the affidavit taken from Bilbeisi that the real price was approximately two million and a half. At the time Milton Cerezo was General Director of Immigration, that the Bank of Guatemala and the Major Office of the Army had to have influence in the taking of

the decision of the transaction according to Alberto Coppo Gayoso telling him that he had the sufficient force to bribe high members of the Guatemalan Army; governmental officers and officers at the Bank of Guatemala; and that in the year nineteen hundred eighty eight the contract of the transaction of three helicopters was signed between the Major Office of the Army and Alberto Coppo Gayoso, Mauricio Eduardo Coronado and himself. After signing the contract Mauricio Coronado and the person hereby declaring were fired by Bilbeisi, leaving Alberto Coppo Gayoso in charge of the negotiations with orders to carry the transactions to an end granting him power to bribe high military and civilian officers for that transaction and a following one that was to be carried out. Likewise he declares that Alberto Coppo Gayoso knows exactly whom he bribed. The person declaring says that he received a note and documents which were presented by Bilbeisi's lawyers in that proceeding filed in a Federal Court of the United States which show proof of the payments and bribes done by Bilbeisi and Coppo. FOURTH: The presence of the person declaring in Guatemala is with the purpose of clearing his name and his situation, besides telling the truth as to how everything came about. These declarations may be ratified by Bilbeisi because they comply with the truth. With nothing more to add, this affidavit comes to a close at the same place and date mentioned at the





PROCURADURIA GENERAL DE LA NACION  
MINISTERIO PUBLICO  
GUATEMALA, C. A.

1 En la ciudad de Guatemala el día cuatro de septiembre de mil  
2 novecientos noventa y uno, siendo las once horas con veinte  
3 minutos comparecen ante las Oficinas que ocupa la Procuraduría  
4 General de la Nación y Jefatura del Ministerio Público, situa  
5 das en dieciocho calle, diez guión treinta y seis de la zona, u  
6 no de esta capital en presencia del Jefe de la Sección de Fis-  
7 calía, Licenciado José A ntonio López Mendoza y Secretario Ge-  
8 neral Nery Orellana Leiva, el señor Louis Charles Altamar, con  
9 el objeto de hacer del conocimiento de la Institución los he-  
10 chos y circunstancias siguientes. A continuación se procede  
11 de la siguiente manera, previamente protestado para que en el  
12 curso de la presente diligencia se conduzca-ca con solo la ver-  
13 dad, así ofreció hacerlo haciendosele saber las penas corres-  
14 pondientes establecidas en la ley sustantiva penal, en caso  
15 faltare a la verdad y manifiesta llamarse como quedó indicado  
de cuarenta y siete años de edad, casado, hombre de negocios,  
originario de Haití, de nacionalidad de los Estados Unidos de  
América, con residencia en once cincuenta (1150) NW setenti-  
dos (72) Ave Miami Florida treinta y tres mil ciento veintiseis  
(33126) Estados Unidos de América, se identifican con el pasa-  
porte extendido por la Agencia de MIAMI Estados Unidos de Amé-  
rica número cero-cuatro-cero-uno-cero--cero-ocho-cero-cero --  
(040100800), documento que se tuvo a la vista y que inmediata-  
mente le fue devuelto. PRIMERA: Manifiesta que para cualquier  
actuación o diligencia pueden ser llamado a declarar por me-

MINISTERIO PUBLICO  
SECCION DE FISCALIA



*Nery Orellana Leiva*  
SECRETARIO GENERAL



dio de Assistant U.S. Attorney, Andres Rivero, ante un Juez de  
 la Corte United States District Court For the Southern District  
 of Florida County of Dade. SEGUNDO: Continua manifestando  
 que es su deseo libre y espontaneo declarar que en el año de --  
 mil novecientos ochenta y cinco en el mes de noviembre, el  
 señor Munther Ismael Bilbeisi lo contrató para ejercer labores  
 de piloto y mensajero, en cuya oportunidad viajaba a Centro -  
 América por ordenes del referido Bilbeisi, con el objeto de -  
 pagar las cuentas de café en la República de Honduras y Guate-  
 mala. En Honduras se hacían los pagos a Carlos Dubón comer-  
 ciante, así como también al señor Andara Flores, quien es co-  
 merciante en Comayagua, el objeto de esos pagos era para eva-  
 dir impuestos en general en la República de Honduras. En re-  
 lación a la República de Guatemala, en el año de mil novecien-  
 tos ochenta y seis también efectuó pagos por altas sumas de -  
 dinero, aproximadamente por mas de dos millones de dolares a  
 las siguientes personas: Wallace Papadopolos y Arnoldo Esqui-  
 vel López quienes son ciudadanos guatemaltecos, además tuvo -  
 conocimiento de una transferencia de seiscientos treinta y o-  
 cho mil dolares que el señor Bilbeisi y su compañía Coffee In-  
 corporated hizo a COIRSA, comercial internacional de represen-  
 taciones sociedad anónima, dichos pagos fueron para exporta-  
 ción de café guatemalteco ha el cual fue contrabandado de --  
 Guatemala a los Estados Unidos de América, pues el objeto era  
 evasión de impuestos fiscales y además dando la apariencia -



PROCURADURIA GENERAL DE LA NACION  
MINISTERIO PUBLICO  
GUATEMALA, C. A.

1 de ser café salvadoreño en tránsito utilizando para los efec-  
2 tos de pago al Banco de Crédito y Comercio Internacional (BCCI)  
3 el cual tenía completamente conocimiento del negocio de contra-  
4 bando que efectuaba la compañía Coffee Incorporated y Bilbeisi  
5 y el cual le facilitaba sus sistema bancario y operaciones ban-  
6 carias con cheque de caja transferencias bancarias y cartas de  
7 créditos para efectuar las operaciones ilegales. Asi mismo  
8 continua manifestando que estos cafeses contrabandado de Gua-  
9 temala son los mismos en el cual el señor Bilbeisi reclama a  
10 la compañía Lloyds of London en un reclamo fraudulento. -TER-  
11 CERO: Continua manifestando que en relación a una compra efec-  
12 tuada en Guatemala de tres helicópteros Sykoskies desea decla-  
13 rar lo siguiente: En el año de mil novecientos ochenta y seis  
14 por medio de su persona o sea el declarante, que la República  
15 de Guatemala necesitaba equipo militar, y el señor Bilbeisi  
16 le dijo que tenía equipo militar, la compañía Sykoskies se lo  
17 había informado en Estados Unidos de América, teniendo conoci-  
18 miento que el equipo militar estaba en Jordania y el declaran-  
19 te buscó al ex consul Mauricio Eduardo Coronado en Miami quien  
20 le manifestó los contactos en militares y civiles en la Repu-  
21 blica de Guatemala, tuvo conocimiento también que el ex-consul  
22 mencionado contactó con el General Mata Gálvez, el General A-  
23 lejandro Gramajo, el ex presidente de la República Vinicio Ce-  
24 rezo. Que en mil novecientos ochenta y siete, mes de julio,  
25 el Compa General Gramajo autorizó con su firma para que varios



SECRETARIO GENERAL

oficiales militares guatemaltecos fueran a chequear a Jordania  
 dieciocho helicópteros y dieciseis aviones, catorce F cinco A  
 y dos F cinco B, d, sin embargo el presidente Cerezo iba con-  
 tratar la compra de doce aviones F guión cinco A (F-5A) y cua-  
 tro aviones F guión cinco B (F-5B), conforme oficio dirigido  
 de fecha veinte de ~~febrero~~ <sup>enero</sup> de mil novecientos ochenta y ocho  
 dirigido a Mura International, cuyo dueño es Bilbeisi, éste le  
 indicó al ex presidente Cerezo que quería el pago mitad en ca-  
 fé y mitad en efectivo porque su primer oferta por parte del  
 señor Bilbeisi al ex presidente Cerezo fue financiamiento to-  
 tal para el equipo militar el cual no pudo cumplir en el momen-  
 to de cerrar el negocio y el pre ex presidente no aceptó esas  
 condiciones. En esta situación ya intervino por los proble-  
 mas que se habían suscitado en la negociación, los señores Mil-  
 tón Cerezo y nombró Bilbeisi al señor Alberto Coppo Gayoso co-  
 mo/  
 vice presidente internacional de Mura International Sociedad  
 Anónima, dándole todos los poderes para negociar en Guatemala  
 la venta de equipo militar, habiéndose negociado solamente tres  
 helicópteros Sykoskies por un total de cinco millones ciento  
 setenta y cinco mil dolares pero que aparece en la declaración  
 jurada del señor Bilbeisi que el precio real era de aproxima-  
 damente de dos millones y medio. Estando el señor Vice Milton  
 Cerezo Director General de Migración, continua manifestando  
 el declarante que como tenía que influir en la desición de la  
 compra, el Estado Mayor del Ejército y el Banco de Guatemala



PROCURADURIA GENERAL DE LA NACION  
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1 según Alberto Coppo Gayoso indicándole éste que el tenía la  
2 fuerza suficiente para sobornarlo a altos militares de Guate-  
3 mala, funcionarios de Gobierno y funcionarios del Banco de Gua-  
4 temala; y en el año de mil novecientos ochenta y ocho se fir-  
5 mó el contrato de la compra de los tres helicópteros entre el  
6 Estado Mayor del Ejército y Alberto Coppo Gayoso, Mauricio E-  
7 duardo Coronado y el declarante. Después de haber firmado el  
8 contrato Mauricio Coronado y el declarante fueron retirados  
9 por Bilbeisi, dejando a Alberto Coppo al frente de las negocia-  
10 ciones con ordenes de llevar el negocio a un fin dándole pode-  
11 res para sobornar a los funcionarios militares y civiles para  
12 esa compra y otra posterior que se había de llevar a cabo, así  
13 mismo manifiesta el declarante que Alberto Coppo Gayoso sabe  
14 exactamente a que personas sobornó, el declarante manifiesta  
15 que él recibió una nota y documentos los cuales fueron intro-  
16 ducidos por los abogados de Bilbeisi en el caso que se lleva  
17 en la Corte Federal de Estados Unidos los cuales muestran las  
18 pruebas de pagos y sobornos hechos por Bilbeisi y Coppo,  
19 CUARTO: La presencia del declarante en Guatemala es con el  
20 objeto de aclarar su nombre y su situación, además decir la  
21 verdad de como sucedieron todos los hechos, todas estas decla-  
22 raciones pueden ser ratificadas por Bilbeisi por que se ajus-  
23 tan a la verdad. No habiendo que hacer constar más en la pre-  
24 sente diligencia, se da por finalizada la misma en el lugar y  
25 fecha al principio indicado, cuando son las trece horas con

*[Handwritten signature]*  
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 MINISTRO PUBLICO  
 SECCION DE  
 FISCALIA  
 DE GUATEMALA  
 SECRETARIA DEL MINISTERIO PUBLICO  
 DE GUATEMALA  
 Sr. Guillermo Loiza  
 SECRETARIO GENERAL

Mr. WINER. Did you also bring with you today an opening statement?

Mr. VALLS. Yes, he did. It is in Spanish.

Mr. WINER. Is everything in that opening statement true and correct?

Mr. AMAYA [as translated by Mr. Valls]. Yes, it is.

Mr. WINER. I'd like to introduce that into the record at this time.

[The information referred to follows:]

Mi nombre es Fernando Ramon Marin Amaya, soy salvadoreno de nacimiento pero guatemalteco naturalizado, estoy establecido en Guatemala desde hace mas de quince anos , estoy casado, tengo tres hijos y de profesion soy Abogado y Notario inscrito legalmente en el Colegio de Abogados de Guatemala. Actualmente tengo una oficina Asociada de ^Abogados y Notarios con otros 3 companeros mas con los cuales trabajamos independientemente en el ejercicio de la profesion. ^Estoy actualmente trabajando con el Procurador General de la Nacion en la investigacion de varios casos en la seccion de Fiscalia de y es por ello que me encuentro en este salon con el objeto de dar una explicacion en nombre y representacion del senor Procurador General de la Nacion con en relacion al caso del BCCI Y SU CONEXION CON GUATEMALA.

En 1986 en la Republica de Guatemala durante los meses de MARZO, ABRIL, MAYO Y JUNIO, se realizaron exportaciones ilegales de cafe por aproximadamente 15,900 sacos, los cuales fueron exportados a USA pero con apariencia de exportacion hacia terceros paises, haciendo aparecer dicho cafe como de origen salvadoreno y no guatemalteco con el proposito de evitar el pago de impuestos de exportacion y el control de divisas del mismo .

El BCCI facilito las operaciones de contrabando de cafe al haber prestado sus servicios al Senor Munther Ismael Bilbeisi y sus companias asociadas (entre ellas Coffe INc. and Mura Internacional) que nunca fueron inscritas legalmente en registro alguno en



Guatemala para operar.

Todas las operaciones ilegales de café fueron financiadas al señor Bilbeisi con fondos del BCCI por medio de pagos de cheques de caja así como transferencias bancarias a diversas personas, compañías, personal de aduanas y fabricantes de falsa documentación.

Todo ello sirvió con el objeto de evitar el control de inscripción en los registros nacionales de exportadores de café, Banco Central de Guatemala y Ministerio de Finanzas Públicas con el objeto de evitar el control de las exportaciones de café. Como Ustedes sabrán el control de las exportaciones de café es obligatorio ya que es la principal fuente de riquezas de Guatemala de ingresos de divisas en dólares de los Estados Unidos de América.

En estas exportaciones ilícitas amparadas bajo la sombra del BCCI, el Gobierno de Guatemala perdió en concepto de impuestos la suma aproximadamente de \$800000 y en concepto de ingreso de divisas la suma \$4000000, no obteniendo ningún beneficio económico pese a que el café era de origen guatemalteco lo cual quedó demostrado con documentación escrita que las autoridades competentes salvadoreñas encargadas de las exportaciones de café han desmentido que el mismo sea de procedencia salvadoreña y en los registros aduanales no existe documentación alguna ya que la misma se falsificó completamente.

Por estas exportaciones ilegales de cafe el Gobierno de la Republica de Guatemala por medio del Procurador General de la Nacion ha iniciado acciones judiciales en contra de los responsables, es decir contra Munther Ismael Bilbeisi asi como los complices en dichas operaciones ilegales, ademas en contra de su compania COFFE INC> DE LA CUAL ES EL UNICO PROPIETARIO y que utilizo en las exportaciones ilegales de cafe.

En estos juicios mencionados se ha llegado obtener la detencion de algunas personas principalmente guatemaltecas quienes han sido declaradas culpables por las sindicaciones penales hechas en contra de ellos y ademas existe una orden de arresto en contra del senor Bilbeisi por evasion de impuestos y defraudacion en el Ramo de Aduanas; ademas el MInisterio de Finanzas Publicas (Del Tesoro) ha concluido en una primera parte la orden legal del pago de impuestos por las exportaciones ilegales de cafe y existe una orden de cobro en contra de Coffe Inc.; asi como actualmente se ha terminado de hacer la investigacion de un adendum del total de cafe exportado ilegalmente para lo cual saldra una nueva orden de cobro en contra de dicha compania.

El Gobierno de Guatemala tiene interes en recuperar los impuestos y las divisas dejadas de ingresar al pais y prueba de ello es que ha hecho ya contactos con el Consul HOnorario de Guatemala en Jordania para que investigue el patrimonio de Bilbeisi y se pueda llegar al cobro de lo que dicho senor debe a nuestro pais. Pero

ademas esta estudiando la posibilidad de iniciar en los Estados Unidos de America un juicio en contra del BCCI por la complicidad en las transacciones ilegales ya mencionadas .

Pero el problema con el BCCI no llega hasta ahi sino que trasciende a mas; actualmente el Procurador General de la Nacion: Licenciado Acisclo Valladares Molina ha iniciado proceso criminal en contra de la entidad MURA INTERNATIONAL S.A , propiedad del senor Bilbeisi asi como contra otras personas por la compraventa de 3 Helicopteros Sikorsky que dicha compania vendio a nuestro pais; dichos helicopteros son de manufactura americana y fueron comprados por intermedio de la compania Mura Internacional a la Real Fuerza Aerea de Jordania.

La negociacion de dicho equipo de aviacion fue financiada por un banco en Estados Unidos de America, usando al BCCI como banco intermediario con el objeto de facilitar la operacion ya que asi lo exigia el senor Bilbeisi y en consecuencia esconder al Gobierno de los Estados Unidos de America la transaccion, ya que este Gobierno no habia dado el visto bueno (aprobacion) a la venta .

En dicha negociacion segun lo ha explicado el Procurador General de la Nacion y con prueba que el tiene en su poder se soborno( pago comisiones indebidas) a oficiales militares y funcionarios publicos de esa epoca.

En esta fecha como precedente unico en la Historia del pais, la Procuraduria General de la Nacion por medio de su Procurador General ha iniciado juicios criminales en contra de altos jefes militares ( el ex-Ministro de la Defensa Nacional y el ex- Jefe del Estado Mayor Presidencial) asi como contra el ex-Presidente de la Republica de Guatemala y su hermano, ademas de otras personas por estar involucradas en la negociacion de los ya mencionados helicopteros; pagos indebidos que se hicieron atraves del BCCI por medio de cheques de gerencia asi como por transferencias bancarias hacia OTROS bancos y hacia terceras personas por ordenes del senor Bilbeisi.No puedo dejar de explicar que este juicio y otros han causado ya en el pais mucha conmocion asi como desconcierto y que estan marcando un precedente en la administracion del actual Presidente en su lucha contra la impunidad.

Pero la relacion con el BCCI no termina ahi sino que en 1988 dicho Banco fue acreedor de Guatemala ya que el mismo le dio la suma de 30 MILLONES de dolares para pago de la balanza de pagos del Gobierno de Turno, es decir fue un prestamo puente que utilizo el Gobierno para satisfacer ciertas necesidades economicas de la epoca. Pero si bien es cierto que fue una operacion bancaria normal , dicho Banco pese a haber avalado y apadrinado operaciones ilegales de exportaciones de cafe , se beneficio con la comision bancaria que el Gobierno le tuvo que pagar cuando le dio el prestamo . Hecho inmoral porque ya habia ocasionado anteriormente un dano al Gobierno de Guatemala.

**CONCLUSIONES:**

1. Sabiendo de antemano el Departamento de Aduanas de los Estados Unidos de America desde el ano de 1983 de las actividades ilegales que el señor Bilbeisi realizaba personalmente así como con sus companias, en donde especificamente se habia descubierto el contrabano de cafe, NO AVISO NI PUSO EN SOBREAVISO DICHAS OPERACIONES ILEGALES Y ES MAS SOPORTO QUE EL CAFE INGRESARA A ESTE PAIS , PERJUDICANDO CON ELLO A LOS GOBIERNOS DE GUATEMALA, EL SALVADOR , HONDURAS Y PANAMA que han sufrido igual situacion y con ello dichos gobiernos perdieron pago de impuestos e ingresos de divisas del producto nacional primero de exportacion, o sea el cafe.

2. Ademas el Gobierno de los Estados Unidos de America sabia de las actividades ilicitas del señor Bilbeisi en cuanto a la venta de armas y no obstante no puso sobreaviso al Gobierno de Guatemala de la no conveniencia de la negociacion del equipo de manufactura americana ya que estaba disenado para usarse en Jordania y no en Guatemala que cuentan con una topografia totalmente distinta asi como del hecho en si que dentro del equipo que se estaba vendiendo se incluia equipo de uso restringido.

3. En todas las actividades ilicitas realizadas estaba detras el BCCI y dicho banco tambien ya era investigado y sabia de antemano el Gobierno de los Estados Unidos de las actividades ilegales que el ya mencionado Banco realizaba.

4. Ahora nos preguntamos porque un pais como Guatemala que necesita de ingreso de divisas y de impuestos debe salir perjudicado de actividades ilicitas realizadas por terceras personas y no haber recibido la ayuda necesaria del Gobierno de los Estados Unidos de America poniendo sobreaviso al otro de que tipo de personas e instituciones eran las ya mencionadas..

5. No seria mejor que el Gobierno de este pais compensara de alguna manera el olvido consciente o no que realizo y el cual perjudico enormemente a Guatemala o bien tomara en cuenta esta situacion a la hora de dar como por ejemplo ayuda economica a Jordania o bien al momento de exigir el cumplimiento de acuerdos internacionales en nuestro pais.

6. Guatemala, es respetuosa de los convenios internacionales, pero al mismo tiempo ha visto como el hermano mayor de las Americas ha violado sus propias leyes y esto ha ocasionado un dano irreparable a nuestro pais ya que impuestos y divisas se han perdido por una omision de ayuda oportuna.

7. Guatemala atraviesa una situacion economica bastante dificil pero ello no es motivo para que se le pueda brindar una ayuda en cualquier momento , y si este olvido es motivo para que el Gobierno de los Estados Unidos de America pueda remediarlo, nuestro pais esta esperando una respuesta al respecto ,un acuerdo de libre comercio, una condonacion de la deuda externa o por lo menos el pago de los impuestos y divisas que se se dejaron de percibir.

Mr. WINER. Are there any other documents you want to put before this Subcommittee at this time?

Mr. VALLS. Not really, because the document he has here is incomplete, and it will be completed this week. So he could introduce this and then send you the rest of it, if you want.

Mr. WINER. I think what we'll do is we'll leave the record open, and the subcommittee will accept any additional documents that you wish to send the subcommittee on behalf of the investigating committee of the Government of Guatemala, and make them part of the final record of the subcommittee.

Mr. VALLS. OK.

Mr. WINER. We very much appreciate you coming up here. This is very helpful to us.

With that, the deposition concludes today. But before we conclude, I have been reminded by the Court Reporter that the Translator was not sworn. Since we are relying on the accuracy of his translations, it would be appropriate to swear him as well, which we are now going to do.

Do you solemnly swear that each translation you have provided to this Subcommittee today has been true and correct to the best of your abilities and knowledge?

Mr. VALLS. I do.

Mr. WINER. Thank you very much.

[Whereupon, at 12:55, the subcommittee adjourned, to reconvene at 10:04 a.m., October 22, 1991.]





## **NARCOTICS AND FOREIGN POLICY IMPLICATIONS OF THE BCCI AFFAIR**

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**TUESDAY, OCTOBER 22, 1991**

**U.S. SENATE,  
SUBCOMMITTEE ON TERRORISM, NARCOTICS, AND  
INTERNATIONAL OPERATIONS  
OF THE COMMITTEE ON FOREIGN RELATIONS,  
Washington, DC.**

The subcommittee met, pursuant to notice, at 10:04 a.m. in room SH-216, Hart Senate Office Building, Hon. John F. Kerry (chairman of the subcommittee) presiding.

Present: Senators Kerry, Simon, Pressler, and Brown.

Senator KERRY. The hearing of the subcommittee on Terrorism, Narcotics and International Operations will come to order.

Today we are conducting our sixth in a series of hearings on the affair. Our witness today is a 13-year veteran and one of the top officers of BCCI in the United States, Mr. Abdur Sakhia.

Mr. Sakhia is going to be followed tomorrow by Mr. Bert Lance. Let me just correct, for those of you following this. It will not commence at 9 a.m.. It will commence at 10 a.m. tomorrow. The hearing on Thursday will still remain at 9 a.m.. In the Thursday hearing, Mr. Lance will be followed by Messrs. Clifford and Altman. Then on Friday the CIA and the State Department will testify regarding their experiences with BCCI.

Mr. Sakhia resigned from BCCI in 1989. He was once head of BCCI's Miami office and he was responsible for handling the Caribbean for BCCI. He also headed BCCI's coordination committee in the United States, something we will hear about in the course of testimony, a committee that dealt specifically with BCCI's expansion efforts in this country.

In addition, he held other important jobs that he will describe for BCCI, both in New York and London. He is a highly trained banker from Pakistan, and Mr. Sakhia has personal direct knowledge of all of the major figures, or almost all of the major figures, in and around the BCCI scandal, including BCCI's former chief, Mr. Agha Hassan Abedi, the creator of BCCI, and the number two man at BCCI, Swaleh Naqvi.

He in addition, will have knowledge regarding important front men for BCCI, like Mr. Gaith Pharaon and others, as well as knowledge of the interrelationship between BCCI and First American and National Bank of Georgia.

During his years at BCCI, Mr. Sakhia not only met with many of the world's chief central bankers, but he was part of an effort to

cultivate important political figures in the United States and around the world, including numbers of heads of state.

He will testify today about BCCI's efforts to specifically cultivate favor with those individuals, as well as payoffs that were made to some of these officials. He will also testify about his knowledge, personal knowledge, of BCCI's involvement in the Iran-Contra affair.

He will also testify about their plans for growth in the United States and how he at least perceived the relationship to First American and the National Bank of Georgia.

He will testify about strategy meetings at the bank in which BCCI discussed what it would do to try to prevent disclosure of many of the things that it was doing, particular the activities which people were trying to shed light on after the indictment in Florida for drug money laundering. And he will discuss even efforts to try to prevent this subcommittee from reaching the truth with respect to those matters.

Mr. Sakhia, I welcome you to the committee, and before I swear you in I want to turn to my colleague. But I do want to make it clear for the record that Mr. Sakhia is appearing here voluntarily, without subpoena, and that he has also provided assistance to a number of law enforcement agencies, including the Manhattan district attorney and the Justice Department here in Washington, and we will discuss that at the opening of his testimony.

Before I turn to swear you in, Mr. Sakhia, let me turn to my ranking member and colleague in this effort, Senator Brown from Colorado.

Senator BROWN. Mr. Chairman, let me thank you for your efforts in this light. Mr. Sakhia provides a vital link of information, not only about BCCI's operation, but the knowledge that others must have had about that operation. I believe his testimony today is going to give this committee a deep understanding, a far better understanding, of how this operation worked and how it moved forward.

It in effect provides a critical link for us in seeing how the tentacles of BCCI spread and how their operations worked. So I look forward with you to today's testimony and the information that I believe will come forward.

Senator KERRY. Thank you very much, Senator Brown.

**TESTIMONY OF ABDUR SAKHIA, FORMER BCCI OFFICIAL;  
ACCOMPANIED BY MARK P. SCHNAPP, ESQ., COUNSEL**

Senator KERRY. Mr. Sakhia, could I ask you please to stand and raise your right hand.

Do you swear to tell the truth, the whole truth, and nothing but the truth, so help you God?

Mr. SAKHIA. I do.

Senator KERRY. Would you state your full name for the record, please.

Could you pull that microphone a little bit closer, if you could get it very close. It works a lot better when it's close.

And if you could identify your counsel who is with you here.

Mr. SCHNAPP. Senator, my name is Mark Schnapp. I'm from the Miami firm of Greenberg, Charg. If I might address the members of the committee for a few moments before Mr. Sakhia begins his testimony.

Senator KERRY. Absolutely.

Mr. SCHNAPP. Thank you.

Mr. Chairman, Senator Brown: Mr. Sakhia appears here today as a witness and a victim of a massive scandal involving BCCI. When he left the bank, and that was in 1990, he was the head of global marketing, based in London. Prior to that, he had been head of the United States region, up until August 1989.

When I say that Mr. Sakhia is a victim of the fraud, he is a man who devoted his life to the development of this bank, along with many others. He's a man who will tell you that the bank was not only a job, it was a culture, and he'll explain that to this committee. And he is a man whose career has essentially been ruined by his association with that bank, as have many others who worked for that bank over the years.

Mr. Sakhia is one of the few who has remained behind in the United States to answer the questions of this committee and the many law enforcement agencies and regulators that have questions about what happened. He has appeared before agencies within the Department of Justice, before the Manhattan district attorney's office, and now he appears before the Senate.

The result is he's been harassed by BCCI former officials. There have been threats on Mr. Sakhia. Now he's in a situation where regulators, including the New York State Banking Authority, are threatening to take away his home.

Before we move on to the next scandal of the nineties, I think it's important that people who work for a bank, particularly a Third World bank, be able to speak to committees such as this one and let the United States people know what this has done to their lives.

Mr. Sakhia, as many others who worked for the bank, will live with the stigma of this bank forever. It will make it difficult for him and many others to seek employment after this is all done.

Mr. Sakhia is here to tell you about his experience with the bank, how it's affected his life, and with the hope that this will never happen again. At this point Mr. Sakhia is here to answer any questions this committee may have.

Senator KERRY. Thank you very much, Mr. Schnapp. We appreciate that and I think it is certainly the committee's intention to try to understand the personal aspects of this as well as the regulatory and legislative and banking and other aspects of it, and I think that helps to shed a considerable amount of light on it.

Mr. Sakhia, before I proceed to address a series of questions to you and to try to draw this story out, let me first of all just ask you. You have said that you appear here voluntarily, is that correct?

Mr. SAKHIA. Yes.

Senator KERRY. And you have also appeared specifically before what law enforcement jurisdictions?

Mr. SAKHIA. I have appeared before Manhattan district attorney and three different branches of the Justice Department—Washington, Atlanta, and Tampa.

Senator KERRY. Before grand juries in all cases?

Mr. SAKHIA. No, sir. In Washington I appeared before the grand jury, but I had discussions with the attorney's office in Tampa and in Atlanta.

Senator KERRY. And in New York you appeared before the grand jury of the district attorney's office?

Mr. SAKHIA. Yes, sir. And I've had long periods of time, I spent a lot of time with the Federal Reserve Bank in New York.

Senator KERRY. And in each case have you given sworn testimony?

Mr. SAKHIA. Yes, sir, I have.

Senator KERRY. So this is approximately the fifth time that you will appear to give sworn testimony?

Mr. SAKHIA. Yes, sir.

Senator KERRY. This is the first time that you have appeared in public to give such testimony, is that accurate?

Mr. SAKHIA. Yes, sir.

Mr. SCHNAPP. Senator, perhaps I can clarify something. On those appearances where he was called to testify before a grand jury, he has given sworn statements. In the interviews with the FBI or U.S. attorney's office, I don't believe on each occasion it was under oath, but it was essentially the same matters that were covered.

Mr. SAKHIA. Yes, that's correct.

Senator KERRY. And clearly, because you are with counsel here and you have appeared before these other bodies, you do not need any explanation as to what it means to testify under the pain and penalties of perjury; is that accurate?

Mr. SAKHIA. Yes.

Senator KERRY. But I do remind you, because I want the public to understand, that you testify today recognizing that, and that anything you were to say here that might differ from any of the testimony you have given previously under oath could subject you to that penalty. And you understand that, don't you?

Mr. SAKHIA. Yes, sir, I do.

Senator KERRY. Recognizing that, let me also ask you: Do you at this time have any agreements other than immunity? Are there any agreements for protection, any agreements for monetary award, any other kinds of agreements which have induced you to testify?

Mr. SAKHIA. No, sir.

Senator KERRY. Now, if I may, I'd like to just have you talk a little bit. Do you have an opening statement you want to make?

Mr. SAKHIA. Yes, sir, I have.

Senator KERRY. Then let's just let you do that, and then we'll proceed to ask questions.

Mr. SAKHIA. Mr. Chairman, Senator Brown: It is an honor and privilege to be here before this body for someone of my humble background. Thank you for giving me this opportunity.

Before I respond and we go into questions and answers, I would like to say a few words. Sir, volumes have been said and written in different forums, before various committees, grand juries, and by

the media. I have heard masterful articulations by top politicians, brilliant attorneys, very competent officials and executives.

In this regard, I am a man of modest education and training. But what I will say will be honest, forthright, and simple. I do not have the ability to articulate in a manner that others have.

Much untruth and half-truth has been revealed in both official inquiries and in the news media. I have seen all this with great pain and anguish. I'm happy to note, sir, that for a long period you have been in search of truth and have attempted to get to the bottom of this tragedy, and therefore I consider this as a privilege to be here before you.

The reason for my pain and anguish is that no forum, no legislative body, no law enforcement body, nor any media, has paid attention to the silent victims of this conspiracy. Any discussion of this tragedy must include discussion of thousands of innocent employees, both in this country and around the world.

Mr. Chairman, I have personally cooperated, as you said before, with various law enforcement, regulatory, and legislative bodies, both in this country and elsewhere. I have also directed and guided them where I was able to. This cooperation has put me and my family in physical danger. There have been attempts to falsely implicate me in wrongdoings. Others have conspired so that myself and some colleagues lost jobs which we lost after leaving BCCI.

Sir, I come from the Third World. I grew up there, I was educated there. We learned there that if you are raped or burgled are victim of other crimes, you do not report it to the authorities. You suffer in silence, because as a victim you are raped by the law all over again.

Mr. Chairman, the regulators in New York State, after extracting cooperation for over a year, are threatening to not only take away my home, but the lawyers have attempted to threaten me and say that, if I was to bring a lawsuit, this would create—this would cause me great discomfort.

Mr. Chairman, I am not afraid of the truth and I cannot silently walk away from my home. I am afraid, sir, that the approaches may be different in the Third World and this world, but the results are the same. You either suffer in silence or face the consequences twice.

BCCI is a tragedy of immense magnitude. The victims are depositors all over the world, 14,000 staff in 73 countries. The reserves of many nations have totally or partially disappeared.

But, sir, the players were few: European directors, a handful of Middle Eastern businessmen or middlemen, a handful of executives from the subcontinent, one firm of auditors, and high-priced American lobbyists and lawyers, the principal regulator, Bank of England. All of them must be made accountable.

I have heard a lot about the role of Mr. Abedi and some of his associates. They must most certainly be brought to book.

I'm aware of some investigation on the role of so-called Washington lawyers and some Middle Eastern middlemen, but I have not heard of any criticism of the European directors, who enriched themselves for many, many years.

I am also surprised, and I should say even shocked and horrified, at the total lack of accountability of Price Waterhouse, who bear

the primary, if not the sole, responsibility. They have been completely negligent, incompetent, and possibly, possibly corrupt and an accomplice in the fraud.

BCCI's tragedy seems to be remote to this forum and to many in this country because the bulk of the victims are far away and only a few of us, like myself, are U.S. taxpayers. But sir, if a tragedy like BCCI is to be avoided in the future, then firms like Price Waterhouse should be brought to justice. So should the directors of the bank, who were beneficiaries for so long, and all the Middle Eastern middlemen. The Gokul group, the Gulf group, should also be brought to the book.

So also the role of Bank of England has been no less contributory to the tragedy. I am sympathetic with the victims in Britain, who say that the Bank of England has been more racist and has done more harm to Asians in Britain than the National Front would have ever been able to. The Bank of England for years was aware of a lot of things and they kept quiet.

I would also like to take this opportunity to thank all the State and Federal regulators who have given us the opportunity to do business in this country and who helped us and guided us in good times and in difficult times. I apologize to them for being the source of embarrassment.

I also wish to convey my apology to the government and ruler of Abu Dhabi for that my senior colleagues betrayed their trust. My only regret is that, in this regard, their representative was prevented by Mr. Naqvi and Mr. Zafariq Wal when I wanted to meet him before leaving the bank.

I once again thank you, sir, for this opportunity and assure you of honest and sincere cooperation. I request you to use your good offices to mitigate the sufferings of innocent victims, the staff of BCCI in this country and elsewhere.

Thank you, sir.

Senator KERRY. Thank you very much, Mr. Sakhia.

Senator Simon has joined us. Do you have an opening statement, Senator?

Senator SIMON. I do not. Thank you, Mr. Chairman.

Senator KERRY. Mr. Sakhia, let me try to build the record here, if we can, and introduce you to a public that doesn't really have any sense of who you are, where you come from, and how you came to be in the position you're now in. So let's go back a little bit in time, if we may.

Tell us a little bit about yourself. Where were you born?

Mr. SAKHIA. Sir, I was born in a small town in India and at the age of six I migrated to Pakistan, in 1947. I had my initial education in Pakistan, where I had a college degree.

Senator KERRY. What were you trained in?

Mr. SAKHIA. I was trained in science. I had majored in chemistry.

Senator KERRY. Where did you go to college?

Mr. SAKHIA. Initially I went, my first degree in college was from Pakistan, in Karachi. Subsequently, after a year of working in Pakistan in a bank called United Bank, I was transferred to London, when I had a further education in West London College in London.

Senator KERRY. What did you study in London?

Mr. SAKHIA. I studied business management, systems, corporate planning, everything to do with management, because I didn't have any formal management education before.

Senator KERRY. What was your job in London at that time?

Mr. SAKHIA. I was working for United Bank as an officer in London.

Senator KERRY. What year are we talking about?

Mr. SAKHIA. From 1964 to 1966.

In 1966, I went back to Pakistan with United Bank. I had a series of quick promotions. I had started as a junior trainee in 1963. By 1969 I was assistant vice president. My gross emoluments had multiplied about 12 times in 6 years.

In 1969 I left United Bank and I joined Management Association, which in cooperation with Ford Foundation of the United States was setting up management consultancy and training services in Pakistan.

Senator KERRY. Where was that based?

Mr. SAKHIA. It was based in—it was to be based in Karachi, but I had training in Turkey for several months, then in the U.K., and then I traveled to Europe where other consultancies were operating. This was all sponsored and paid for by Ford Foundation.

Senator KERRY. So the Ford Foundation paid for your consultancy education, in a sense, or your consultancy work?

Mr. SAKHIA. My consultancy education.

I returned to Pakistan in early 1971, but things had dramatically changed in Pakistan with the war between Bangladesh and Pakistan, and also the socialist government had taken over toward the end of 1971.

Senator KERRY. Mr. Sakhia, let me ask you one thing. Sometimes your sentences are trailing off a little bit, and if you could just keep speaking right into the microphone I think it would be helpful.

Mr. SAKHIA. All right, sir.

I continued with this consultancy organization, the Management Association, until November 1973, when the Government of Pakistan requisitioned my services and I was made an advisor to the government for the National Bank of Pakistan.

Senator KERRY. Is that the time when Mr. Abedi's bank was closed or nationalized by the government?

Mr. SAKHIA. Well, about two months before the nationalization I joined the government as an advisor.

Senator KERRY. As an advisor to the government?

Mr. SAKHIA. As an advisor to the Government of Pakistan, specifically for National Bank of Pakistan.

I stayed as an advisor until late 1974, when they asked me to go to Saudi Arabia to start a joint venture between the National Bank of Pakistan and the Saudi businessmen. I spent almost 2½ years in Saudi Arabia as an advisor and I founded a bank called Bank Al-Jizira.

Senator KERRY. How do you spell that?

Mr. SAKHIA. A-l-J-i-z-i-r-a. This was the first joint venture bank in Saudi Arabia.

During my stay in Saudi Arabia, Mr. Abedi contacted me several times and once I met him in London, in about September or Octo-

ber 1976. At that time I was contemplating to move from Saudi Arabia because I had small children and——

Senator KERRY. Who did you know Mr. Abedi to be at that time? Had you met him at any time previously?

Mr. SAKHIA. Yes, sir. Between 1963 and 1969 I worked for United Bank and Mr. Abedi was the president of Mr. Abedi.

Senator KERRY. So you came to know him in the course of your employment for the National Bank?

Mr. SAKHIA. For United Bank, my first job.

Senator KERRY. United Bank. And how closely did you work with Mr. Abedi at the bank, United Bank?

Mr. SAKHIA. Well, sir, I was fairly junior. He was the president and I was a trainee, but he used to invite us for meetings every couple of weeks, every month, to see how our training was going and how we were performing.

And then I had, as I mentioned, a meteoric rise in that bank and I came into the executive corridors within 5 years of my employment. So at that time he became aware of who I was and what I was doing.

Senator KERRY. And it's fair to say that Mr. Abedi thought enough of you, based on that earlier exposure, that he wanted to get you involved with his subsequent banking effort?

Mr. SAKHIA. Yes, sir.

Senator KERRY. That inquiry took place in Saudi Arabia, is that correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Then what happened?

Mr. SAKHIA. So finally I joined BCCI in January 1977. I was based in London, England, from 1977 to about spring of 1979. In spring of 1979, I moved to Canada. At that time BCCI had a finance company in Canada called BCCI, Inc——

Senator KERRY. Go ahead.

Mr. SAKHIA. Which had only one office, in Toronto. I stayed in BCCI Canada for 2 years. We filed an application to convert the finance company into a commercial bank and we grew from one office to four offices and our size multiplied about ten times in assets or eleven times in assets.

In mid-1981 I was asked to move from Canada to London, back to London, or to go to Tokyo rep office or to go to Panama, and at that point I resigned from the bank because I did not want to move from Canada.

Incidentally, I'm a citizen of Canada, although I am a resident alien in the United States.

At that time Mr. Abedi brought in a lot of pressure on me and said we were a family and in a family we cannot divorce, we cannot separate, our association is for life. He agreed to send me to work on some acquisitions and expansion of the bank and, although I was still based in Canada and my family was in Canada, but I traveled to Spain, Brazil, Jamaica, Florida, to either file new applications for the bank or acquire banks or investment banks.

Senator KERRY. We're talking about 1980?

Mr. SAKHIA. 1981, second half of 1981.

In February 1982, Mr. Abedi asked me to go to Florida provisionally to help set up both the regional office for Latin America and



Caribbean and also set up an agency in Miami. I stayed in Miami from early 1982 to early 1987. In those 5 years, BCCI became the second largest foreign bank in the State of Florida.

We had developed offices in Jamaica, Barbados, Bahamas, Trinidad, and our footing by that time was \$850 million and we were making \$17 million in profit per year.

In March 1987, I moved to New York to start what was then called United States region. All the offices in the United States, that is in New York, California, Washington, Chicago, Houston, came under my jurisdiction.

Senator KERRY. What year, now, and what month?

Mr. SAKHIA. Spring of 1987, March-April 1987.

Senator KERRY. In the spring 1987, you had oversight responsibilities for all of BCCI in the United States?

Mr. SAKHIA. Except for Florida.

Senator KERRY. Except for Florida.

Mr. SAKHIA. Florida was part of Latin American region.

Senator KERRY. Let me just ask now, prior to that—I think we'll get into this a little bit later, but prior to that in your role as the regional manager in Miami—

Mr. SAKHIA. Yes, sir.

Senator KERRY.—you had occasion from 1981 on to have a significant series of meetings in New York and elsewhere, London, regarding BCCI's operations generally in the United States, didn't you?

Mr. SAKHIA. Yes, sir, that's correct.

Senator KERRY. OK.

Mr. SAKHIA. From spring 1987 to about March 1989, I was the general manager, based in New York. In March 1989, I moved to London to continue overseeing U.S. operations until about July 1989. In August 1989, I was again promoted, as the head of marketing for BCC group, which was operating in 73 countries.

Senator KERRY. Just to put this in a context, you moved to London in 1989 and the indictment of BCCI Florida for money laundering was in October 1988?

Mr. SAKHIA. Yes, sir.

Senator KERRY. So you were still in this country for a significant period of the initial response to the indictment?

Mr. SAKHIA. Yes, sir, that's correct. I was the seniormost BCC man in the United States.

Senator KERRY. Senior man at that time.

Mr. SAKHIA. I was the seniormost at that time in the United States.

From March 1989—from August 1989 to April 1990, I was head of global marketing, which means I was controlling the marketing operation in 73 countries, an asset base of \$24 billion.

In May 1989, we tried to resign from the bank, which I'm sure we will go more into details later on, and ultimately I left the bank in July 1990.

Senator KERRY. Now, just as an overview here before we start getting into specifics of why you left and what happened, let me just ask you some questions in sort of broad overview of this. I'd ask you for a yes or no answer.

Did BCCI during the time that you were involved with it engage in money laundering?

Mr. SAKHIA. Well, BCCI was indicted, yes, but I wasn't aware until the indictment. I had a general feeling that BCCI would be a tragedy waiting to happen.

Senator KERRY. But you now know and have evidence that it did engage in that, is that correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And you had fears about that when the purchase was made of the banks in Colombia, is that correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And you made that known to leading officials within the bank, did you not?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And there was some discussion of the potential for that to take place, was there not?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And notwithstanding that, that purchase took place, didn't it?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now, with respect to payoffs, did BCCI make payoffs to public officials?

Mr. SAKHIA. Well, I have heard a lot and I have enough knowledge, but not firsthand knowledge, but we had enough gossip in the bank and there was a lot of evidence.

Senator KERRY. We're going to go into this in greater detail. There is direct evidence, is there not, of checks being made out to certain individuals?

Mr. SAKHIA. Well, when we come to the checks maybe, it may be appropriate to discuss at that time.

Mr. SCHNAPP. Senator, perhaps I can interject. Some of the information that Mr. Sakhia had at the time that these events were occurring might have been through gossip, and I think that's what he's trying to say. Some of what he had heard as gossip or rumor or even his own suspicions were later confirmed by things like the indictment of BCCI in Tampa.

Senator KERRY. I understand. We want to try to be very careful here to, obviously, separate gossip from fact and not to wind up smearing anybody as a consequence of some sort of offhand comment.

But what I do want to do is draw the picture of your concerns and of the internal discussions in the bank and of what you observed which later you saw come to be confirmed by specific documents and evidence. So while you may not have had firsthand evidence of it at a specific moment a number of years ago, you have come now to understand it as a matter of fact.

Mr. SAKHIA. Yes, sir.

Senator KERRY. That's what I'm asking you.

Mr. SAKHIA. That's correct.

Senator KERRY. And as a matter of fact, you know now from documents and firsthand evidence that there was money laundering, accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And as a matter of fact, you know that BCCI hid the ownership, did it not, of the National Bank of Georgia?

Mr. SAKHIA. Well, I don't know whether BCCI or its directors or its management hid, because within the management of the bank it was very commonly known as one and the same bank. So if it was hid, it was hid by the front men or the lawyers, because within BCC we never considered that as a different entity. It was one and the same entity to us.

Senator KERRY. Well, we'll get into that in a little greater detail.

What about, did BCCI hide evidence or falsify evidence with respect to ownership issues?

Mr. SAKHIA. Again, now, again with hindsight, it appears that they hid the ownership from the authorities. My impression at that time was that the authorities were aware of and this was an arrangement with the authorities, because we used to openly meet, we'd openly correct, we openly operated as one institution.

Senator KERRY. And that institution was?

Mr. SAKHIA. National Bank of Georgia-First American Bank.

Senator KERRY. We're going to go into that in some detail.

When you left the bank in 1990, did the bank or did anyone take any actions against you at that time?

Mr. SAKHIA. All of us who were leaving from the senior positions, each of us was threatened in a different way. I was threatened that if I went back to the United States and sued the bank or any of the officials, I would be implicated through the firm of Clifford & Warnke into drug money laundering.

Senator KERRY. Who threatened you with that? Who said that to you?

Mr. SAKHIA. This came from the office of Mr. Swaleh Naqvi.

Senator KERRY. Mr. Naqvi.

Mr. SAKHIA. He didn't tell me personally, but he conveyed it to me in a typical BCCI culture—

Senator KERRY. Explain this typical BCCI culture. I mean, how did this get conveyed to you?

Mr. SAKHIA. We used to have a meeting with our British lawyers in my apartment in London. Mr. Massir Rehman, who has testified here before, and five other general managers, we used to meet every evening with our attorneys in my apartment in London.

One day while—in an apartment building you cannot enter unless somebody lets you in from the main entrance of the building and then I have to open my door. But while we are in a meeting, one very senior man of our ranking from Mr. Naqvi's division came straight into my apartment, and I was surprised at how he entered the building and how he entered my apartment.

Later on he said: You are being foolish to take on the bank and the government of Abu Dhabi, and so on. You should be concerned that you were the topmost BCC man and it is very easy to implicate you into a drug case.

I told him that in the defense of BCCI in the drug case all my papers and my procedures were used to defend the bank, that here is what Mr. Sakhia had done, who was the seniormost BCC man in the United States, so BCC is not responsible. How can you turn around, the same thing, and say that Mr. Sakhia is responsible

when you, in your defense of the bank, you were saying that Mr. Sakhia had done everything to prevent money laundering?

So I said: Well, I'll take my chances; I will go back to the United States because, the reach of the United States, I cannot hide anywhere in the world; if I'm guilty, I will have to deal with it. So I came back to United States.

Surprisingly enough, I landed in New York in the first week of August at about 10 p.m., and at that time we were living in a very small, temporary apartment in New York City. Because our home was rented, I was living in a temporary apartment where nobody knew, because my wife had just moved 3 days before.

But BCC knew where I was and when I was coming back. Within a few hours, the very early hours of the morning, I was contacted by Manhattan district attorney. There's no way they would have known unless somebody from BCCI had tipped where I was and when I was coming.

So I contacted my attorneys and I went up-front with the Manhattan district attorney and said: Look, I would like to, I will cooperate with you in every way you can—every way I can. And I came to—got later on the immunities, et cetera.

But this continued on telephones for several days, both my family, my parents in Pakistan, ourselves, that if we cannot get you physically we'll get you implicated in a lot of wrongdoings, because you have been there the front man all along. I said I'll take my chances, but they keep on threatening like that.

Senator KERRY. Now, in 1982 you testify that you left Canada and came to the United States, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. When you came to the United States in 1982 as a regional manager, what was your understanding of BCCI's holdings in the United States?

Mr. SAKHIA. Let me correct you, sir. I came—I was not regional general manager. I came as someone to just set up things. I was not confirmed until spring of 1984 as the regional general manager.

Senator KERRY. OK.

Mr. SAKHIA. So I was provisionally here. Let me just correct it for the record.

Senator KERRY. Fair enough, I stand corrected.

When you came in 1982 to do the process of setting it up—

Mr. SAKHIA. Yes, sir.

Senator KERRY [continuing.] What did you think you were dealing with? What were the entities that you were operating as a base for BCCI?

Mr. SAKHIA. BCCI's own offices were in San Francisco and Miami as agencies. At that time BCCI owned National Bank of Georgia and it was in process of completing the acquisition of what was then Financial General, which was later—

Senator KERRY. Financial General Bankshares.

Mr. SAKHIA. Yes, sir.

Senator KERRY. And Financial General Bankshares became subsequently First American Bankshares—

Mr. SAKHIA. Yes, sir.

Senator KERRY [continuing.] Is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And Financial General Bankshares' acquisition process was being handled at that time by whom?

Mr. SAKHIA. From London it was being handled by Mr. Naqvi and Mr. Abedi, but they used to be assisted also by Mr. Shahid, Mr. Shahid Jamil, in various aspects.

When there was the side acquisition of the branches of Bankers Trust in New York, this was first being seen as an acquisition by BCCI, and from London and Miami I had done lots of work on that. But later on the Bankers Trust was acquired—the branches of Bankers Trust were acquired by First American.

Senator KERRY. What was your—you said a moment ago that BCCI when you came in here, it was your understanding that they were in the process of buying First American, then Financial General Bankshares?

Mr. SAKHIA. Yes, sir.

Senator KERRY. How do you know they were in the process of buying it? What makes you say BCCI was buying it?

Mr. SAKHIA. Because in any management discussions, in any discussions on our future in the United States, we would think of three entities—BCCI, National Bank of Georgia, First American, then Financial General—in the same breath. Who would be going where, who would work in which entity, what area of business will be handled by which entity, allocation of businesses, markets, geographical territories, all took place as if this was one entity.

Senator KERRY. Describe that in greater detail, if you will. You say these discussions took place in great frequency about who was going to go where within all of these banks?

Mr. SAKHIA. Yes, sir.

Senator KERRY. So you in BCCI would actually sit there and meet and have a discussion about who would go to National Bank of Georgia or who would go to First American, is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. When did those discussions begin of that nature?

Mr. SAKHIA. Well, I was involved in these processes from almost late 1981. As I mentioned a moment ago, there was an acquisition of Bankers Trust branches, and we had still not formulated whether they would be acquired by BCCI, whether we will incorporate a separate entity, whether they will become part of the New York bank of First American.

So all of these discussions came up from late 1981 on an ongoing basis until the last I was there in BCCI in the U.S., almost mid-1988. So all the policies of the U.S. were discussed continuously.

Senator KERRY. Would these discussions take place at international meetings as well as at local meetings?

Mr. SAKHIA. In BCCI, let me again distinguish, there used to be meetings and conferences. The conferences would be on an international scale, but the subject matters like acquisitions and so on would not be discussed in conferences. These would be discussed in the specific management meetings, and only those people who would be concerned would be asked to participate in those meetings.

Senator KERRY. Now, what I want to do, Mr. Sakhia, is try and flesh out a bit what you have just told us, which is really at the

center of much of the controversy that we face right now. I know it takes a little bit of time, but I want to draw you out in greater detail about specific steps you took and specific events that took place over the period of time, over the period 1981, 1982, when you came here, through the indictment and subsequent controversy that has emerged.

So let me turn for a moment, if I can, to Miami and to your setting up the branch and how you did that and what happened. BCCI formally opened its branch in Miami in August 1982, is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. It had begun operations, however, a few months earlier, in April?

Mr. SAKHIA. Yes, sir.

Senator KERRY. General operations.

Mr. SAKHIA. Right.

Senator KERRY. Now, did you have a specific set of instructions about trying to reach out to major political figures and other people in the effort to put the bank on the map right away, in a sense?

Mr. SAKHIA. BCCI's strategy globally had been to be very well-known, to make an impact in the marketplace, to have contacts or relationships, what we used to call relationships, with all the people who matter, whether in the business circle, whether in the academic, the political circle, in the administration, high level individuals, universities. You name it, we would develop relationships with everyone of consequence.

Senator KERRY. How would you develop the relationship? What was it you had that was of interest to all these people in these important positions?

Mr. SAKHIA. We were an international bank with a worldwide network and, since we were not carrying any specific flag, we were not a British or a German or a Swiss bank, but we were a purely international bank. So if we were in Florida, we were a Florida's bank. If we were in Jamaica, we were a Jamaica's bank, and if we were in Barbados we were a Barbados bank. And we would represent the interests of that bank globally.

So everyone was enamored by this bank and wanted to use the relationships of this bank globally. So we could sell Florida to the rest of the world. And what happened was several Florida delegations went around the world; we were the only bank who could give them introductions to various markets without being an American bank or without being a Florida's bank.

Senator KERRY. Well, why couldn't another international bank do the same thing?

Mr. SAKHIA. Well, if they went to a German or a Swiss or a British bank, for their home countries they could provide. But if a Florida delegation went to the Caribbean or to Far East or to subcontinent or Middle East, they would not have that much inroad as we had made.

Also, the early eighties were a major turning point in the world financial scenario, whereby the Latin debts, the Third World debts, et cetera, the rise of capital in the Middle East, the rich connec-

tions in the Middle East, was all in vogue, and we were a bank representing the Middle East in that sense.

So we made that as a big selling point.

Senator KERRY. Was it also the fact that you lacked one regulatory center, that the bank could offer people easy movement of money?

Mr. SAKHIA. The lack of a regulatory structure was sort of a handicap more than a marketing tool, because when we wanted to deal with many official bodies, large corporations, various agencies, they would always ask us, who is the lender of last resort? And we would say, the richest man in the world, because we were owned partially by the ruler of Abu Dhabi, and also our financial statement, which I knew only after about 8 years that they were bogus, our financial statement used to be one of the best among the World Bank ranking in terms of ratios, in terms of liquidity.

Senator KERRY. And you're saying now that 8 years later you learned that those financial statements were false?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Those financial statements are the statements you referred to that were provided over the course of years partly by Price Waterhouse, partly by another firm, and then ultimately exclusively by Price Waterhouse, is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. When did the transition take place that Price Waterhouse became the exclusive certifier as to the accounts of the bank?

Mr. SAKHIA. I think from the accounting year of 1986 or 1987, I'm not sure. But I think it was 1986, when Ernst and Young resigned from the bank.

Senator KERRY. What kind of services did the Miami bank provide for different people?

Mr. SAKHIA. We were essentially, on the institutional and corporate side, we were very big in check-clearing, wire transfers, money market, foreign exchange. We had the largest foreign exchange dealing room of any bank in Florida.

Senator KERRY. But you weren't allowed to take deposits, correct?

Mr. SAKHIA. We were allowed to take deposits from nonresidents. We were not allowed to take the deposits of the individual U.S. residents.

Senator KERRY. What were the most important relationships that you developed for the Miami office with Latin America and the Caribbean?

Mr. SAKHIA. In the Caribbean, every major country I knew the heads of state, I knew the finance ministers, I knew the governors of the central bank, I knew heads of all the major banks in the area, the heads of foreign banks, I knew the people in various official agencies, like Caribbean Development Bank, Inter-American Development Bank, in Organization of American States. Everyone of consequence in this region, I knew.

Senator KERRY. You knew them?

Mr. SAKHIA. I knew them.

Senator KERRY. And you dealt with them?

Mr. SAKHIA. Yes, sir.

Senator KERRY. For example, what kind of services did BCCI Miami provide for the Government of Jamaica?

Mr. SAKHIA. Between 1982 and by middle of 1985, BCCI became the sole banker to all the Jamaican Government agencies for its non-Jamaican currency. We were bankers to the central bank, we were bankers to all official governmental organizations in Jamaica.

Senator KERRY. How did you secure that kind of position?

Mr. SAKHIA. I mentioned a moment ago that in the early eighties all the money center banks were in a flux on Latin debt or on the Third World debt. We picked out the import-export transactions and the current account transactions and we helped them finance those transactions, in return for their maintaining all the national reserves for us.

So about a third of Jamaica's international receipts and payments, at least a third of receipts and payments, went through BCCI.

Senator KERRY. Did you meet personally with Jamaican officials in an effort to try to provide this service?

Mr. SAKHIA. Yes, sir. I met everyone of consequence from prime minister down to the middle level officials in the ministry of finance and the central bank.

Senator KERRY. Did any Jamaican official ever make special requests of you?

Mr. SAKHIA. For the Government of Jamaica, the facilities for the Government of Jamaica, for the oil imports, for the agricultural imports, et cetera, they would even call me at home.

Senator KERRY. How did BCCI come to handle the accounts of Manuel Noriega?

Mr. SAKHIA. Again, sir, I'm speaking with hindsight. I did not have firsthand knowledge. BCCI opened its office in Panama, I think 1979 or 1980, and the relationship, what I know now, had begun with the predecessor of Mr. Noriega, General Torijos, something like that, and then the relationship had begun, then the relationship had begun with General Noriega, with the office in Panama and the office in London, not in the United States.

Senator KERRY. Which central banks did you develop a relationship with?

Mr. SAKHIA. I think we had about 14 central bank accounts: Jamaica, Barbados, Bahamas, Trinidad, Surinam, Aruba, Curacao, Belize, Eastern Caribbean Central Bank, Central Bank of Morocco, also the quasicentral bank of Panama, called the National Bank of Panama. It was not a central bank, but it's a quasicentral bank.

And also we developed relations with the Central American central banks, like Guatemala, Honduras, Costa Rica, El Salvador, but those relationships all were given to National Bank of Georgia. Although we developed those relationships as BCCI, but the businesses were handled by National Bank of Georgia, and we had sort of jointly developed that product, that they will deal with this territory, we will deal with this territory.

Senator KERRY. That was coordinated between you?

Mr. SAKHIA. Yes, sir.

Senator KERRY. When did that coordination begin?

Mr. SAKHIA. This was ongoing, all the way from 1982, that we had earmarked the territory, that all the business from Caribbean



and South America will go to BCC Miami office, all the business from Central America will go to National Bank of Georgia, all the business from Far East would go to California, all the business from Europe and the Middle East would go to First American.

This was part of the——

Senator KERRY. So there was a complete coordination that grew out of your early efforts in Miami, where you were striking up these relationships with Prime Minister Seaga, for instance; is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. With Trinidad-Tobago, Venezuela, Brazil, Argentina, Peru, correct?

Mr. SAKHIA. I continued to develop relationships with the South American countries, the Hispanic countries, until about middle of 1983.

You mentioned a moment ago that I had dissented on the Colombian transaction. Sir, at that time the Miami region was split into two regions. One was Caribbean, which stretched from Texas in the south to Trinidad, and the other was South American region. And I was taken out of the South American region.

So for about the first 15 months of my presence here I dealt with Brazil, Peru.

Senator KERRY. At this time, I would like to insert in the record BCCI documents reflecting its relationships with central banks.

[The information referred to follows:]





Senator KERRY. What I'm getting at is, though, that notwithstanding the fact that subsequently you pulled back from your involvement in some of those countries, initially you had a relationship with each and every one of those personally, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And you personally helped coordinate the movement of funds between what was considered to be, as you have described it, the BCCI family; is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And that family, it is your understanding, contained not only the BCCI branches and agencies, but contained First American and National Bank of Georgia?

Mr. SAKHIA. That's correct.

Senator KERRY. And this is in 1981 and 1982?

Mr. SAKHIA. From 1982 onwards. The First American acquisition was completed, if I remember, late 1982, early 1983.

Senator KERRY. Now, can it be argued that the First American or National Bank of Georgia relationship was simply an adjunct bank relationship, that this is a normal thing? You had a foreign bank in the United States and here you had American-based banks, and they were simply creating a kind of coordinating bank effort in order to be helpful?

Mr. SAKHIA. No, sir. We had similar relationships with the major American banks, but which was of a different nature.

Senator KERRY. What was different about it?

Mr. SAKHIA. We had a relationship with Bank of America, Security Pacific, American Express, Bank of New York, and many, many other banks.

Senator KERRY. And the International Monetary Fund and the World Bank?

Mr. SAKHIA. Yes, but if I could stay on the commercial banks for a moment.

Senator KERRY. All right.

Mr. SAKHIA. Those relationships were a customer-banker relationship. They would market to us for business, we would discuss with them the terms, et cetera. Here we were not marketing for Bank of America or Security Pacific. If we had business to give it to them, we would go to them and say: Look, you want this business? Or they would come to us and say: Can you give us some business?

But here we are marketing to the third parties, to the central banks of Central America. I'm writing them, I'm meeting them, and say: All right, you deal with our group, but maintain an account with National Bank of Georgia. I would go to a Brazilian embassy in Washington, market to them BCCI group, and then say: Open an account in First American in Washington.

I was not doing that for Security Pacific or American Express or Bank of America or any other bank. So it was a complete management marketing the group. And many times the officers of National Bank of Georgia or First American would use BCC financial statement to market their services, that we are one and the same group, because National Bank of Georgia was a smaller bank, First American at that time was a smaller bank. So they would say: But look at this group as a whole, don't look at us only, and then we

are now international; we are present in U.S., we are present in your country or in your region, and we will provide an important service.

Senator KERRY. What you're saying is that there was a marketing strategy that involved all of these entities.

Mr. SAKHIA. Yes, sir.

Senator KERRY. And the marketing strategy was highly intertwined.

Mr. SAKHIA. Right, sir.

Senator KERRY. What does that mean with respect to the question that the Fed might ask or we might ask about actual control? I mean, it is possible, is it not, to have a relationship that might be highly intertwined, but which doesn't necessarily rise to the level of control or ownership?

Mr. SAKHIA. Well, sir, again, I'm a country boy in that respect. My education is in the marketplace, not in the law college. But our staff is common.

Senator KERRY. I want you to bring the microphone a little closer, because I'm having trouble clarifying your words.

Mr. SAKHIA. Our staff is common.

Senator KERRY. The staff of what was common?

Mr. SAKHIA. Of BCCI, First American, NBG.

The decision of hiring, decision for acquisition of space—for example, I know that the New York office of First American was identified by BCC officers and approved by Mr. Abedi. He made the decision to rent that space.

The staff went from one location to the other. I'm aware of the hiring of the chief executive for First American New York was done by Mr. Abedi.

So marketing as a group together, the staff moving back and forth between the institutions, meeting of the staffs together, hiring of people, hiring of staff, all of this took place in the same way as it was happening between BCC California and BCC Florida. Although they were two separate regions and two separate general managers, but we would coordinate the California, New York, Miami, Atlanta, Washington in one entity.

As I would market for BCC Canada, I would market for First American New York and National Bank of Georgia, Atlanta in the same way.

Mr. SCHNAPP. Excuse me, Senator. May I have one moment? [Witness confers with counsel.]

Mr. SAKHIA. As far as we were concerned inside the BCC group, this was one entity. Now, what lawyers represented to who, I'm not privy to that. How the paperwork was done, what presentations were made to regulators or law enforcement, whatever, that I am not privy to. I was in a way junior from that level.

Senator KERRY. But you're saying that in operational meetings, those meetings where you sat and made determinations about bank policy, about acquisitions, about rental of space and so forth, you are telling this committee that there was a complete integration in your view of the operations of these banks?

Mr. SAKHIA. Yes, sir.

Senator KERRY. First American, National Bank of Georgia, and BCC?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Were any individuals from those banks present at those meetings?

Mr. SAKHIA. Well, Mr. Afridi and Mr. Elley from First American and Mr. Jamil from National Bank of Georgia—

Senator KERRY. Tariq Jamil?

Mr. SAKHIA. Tariq Jamil used to be present, depending on what we were discussing. To give you, sir, one example, every year during the World Bank-IMF meeting I used to invite the officials from the Caribbean governments and central banks to a luncheon, host a luncheon for them, to thank us for the business. And people from National Bank of Georgia would be there also, also from First American would be there.

Likewise, I used to sponsor a meeting with the central banks of the Central American countries, and all the arrangements, et cetera, would be done by us, and it would be hosted by the National Bank of Georgia, and I would be present there to set this up.

One such meeting took place in Savannah, GA, which was addressed by Mr. Abedi. Now, if Mr. Abedi was not involved in the management why would he meet the clients of National Bank of Georgia and sell them this group? And this took place in Savannah, Georgia, I think in 1983, just to give you one example of this, that Mr. Abedi's inviting the clients of National Bank of Georgia for a meeting to spend a day with him in Georgia. And then in the evening we had a dinner at a home outside Savannah.

But this is one example of the integrated approach to outside world and relationship and in marketing and for business of one group altogether.

Now, what the lawyers did and how it was presented to the regulators is not my privy.

Senator KERRY. You have at one point described to my staff the notion that Mr. Pharaon was merely a front; is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. That he was simply a nominee, but not the real owner; is that correct?

Mr. SAKHIA. That's my understanding.

Senator KERRY. And it's your understanding that there was a series of loans made which in effect made BCCI the owner ab initio, from the beginning; is that correct?

Mr. SAKHIA. Well, this fact I know after I left BCC, that there were loans, and I've seen the documents subsequently.

Senator KERRY. You were not aware of those when you were there?

Mr. SAKHIA. I was not aware at that time.

Senator KERRY. To the best of your knowledge—I'm going to ask one last question at this round here and then turn to my colleagues and then come back, because there's a considerable amount of territory to cover. But you mentioned the payoff issue and I want to get back to that.

It's my understanding that you have said that non-United States officials who received payoffs from BCCI included: the family of Indira Gandhi, President Ashad of Bangladesh, General Zia of Pakistan, most of the leaders in Africa, in Zambia, Zimbabwe, Kenya, Nigeria. Is that accurate?

Mr. SAKHIA. Well, the payoff either in the form of cash or hiring of their relatives, contribution to their favorite charities, payment for their medical bills. It took various shapes. So in some cases cash may have been given, in some cases their relatives were hired, in other cases their charities were funded, their projects were financed at favorable rates, loans at favorable rates.

So it took different shapes and forms. But in the end, yes, to buy influence.

Senator KERRY. That was the purpose of it?

Mr. SAKHIA. That was the purpose of it.

Senator KERRY. And you understood that to be the purpose of it?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And you personally, I believe, have knowledge of a payoff in Zimbabwe, is that accurate?

Mr. SAKHIA. Well, I was told—I drove one of my colleagues in London to a hotel, and he went with a briefcase and he came back without a briefcase, and I asked him: What happened to your briefcase? And he smiled at me and he said: This was for those people. I said: What, did you carry gold bars? He said: No, some cash.

So this was prior to independence of Zimbabwe, when they were negotiating for independence. Some officials, some politicians from Zimbabwe were staying at a hotel in London.

Senator KERRY. What about a payoff to the Nigerian central bank?

Mr. SAKHIA. During a meeting of the World Bank in Seoul, Korea—I think it was in 1985—I saw one of the BCC officers with a lot of cash, handing out to the staff of the central bank of Nigeria. This is what I saw personally being given to them.

Senator KERRY. Well, let's sort of, let's try to sum this up, Mr. Sakhia. You were with the bank for 13 years. You knew the way it was operating. You had firsthand knowledge of this. Was this a regular course of doing business, the way you understood it? Was it common knowledge that you guys could grease the skids wherever you wanted to?

Mr. SAKHIA. Senator, you have to understand this, that when you're in an operation, when you're dealing with a large territory—in my territory, we used to have 5,000 transactions a day. If you're working 80, 90 hours a week, these little isolated instances flash by and you don't take notice of it. It's a very little piece in a very big jigsaw.

Now, for years we are putting together and it's emerging as a pattern. But in a 90-hour week, traveling 150 to 180 days a year, overseeing such a large territory, participating in so many meetings, you are not aware of these little things that are happening. But when you sit back now for 14 months and see a lot of documents and things emerge, yes, it is emerging as a pattern of corruption, buying influence, buying relationships.

It is appearing to me now, but at that time, an individual instance you pass by and you ignore it.

Mr. SCHNAPP. Excuse me, Senator. [Witness confers with counsel.]

Mr. SAKHIA. But to answer very briefly, yes, there was a pattern to buy relationships and buy influence. The short answer is yes.

Senator KERRY. Just very quickly, on the Noriega account. Noriega's account was run out of the Miami branch, was it not?

Mr. SAKHIA. No, sir. Noriega's accounts were maintained either in Panama or in London and possibly, possibly in Luxembourg and Switzerland. But the main administration was done out of London.

Senator KERRY. But there was a passthrough? Mr. Awan, Amjad Awan, was dealing with it, was he not?

Mr. SAKHIA. Yes, Mr. Awan was the relationship officer, what is now in the media known as personal banker. He was the relationship officer and he continued even after he moved out of Panama to Washington, and then from Washington to Miami.

Senator KERRY. Did you know that he had this personal relationship with General Noriega?

Mr. SAKHIA. I knew the relationship and the contact, yes. Mr. Awan would brag about it.

Senator KERRY. And there were records of Noriega's accounts in the United States, were there not?

Mr. SAKHIA. I believe there were some files in Miami, because the regional office—the Panama office was controlled by Miami at one time, and then subsequent to the Senate subpoenas some of the files were sent from Miami to London.

Senator KERRY. I'm going hold off. I've got some other clarifying questions.

Let me turn to Senator Brown.

Senator BROWN. Thank you, Mr. Chairman.

Mr. Sakhia, you testified that there was a pattern of influence and corruption. You've given examples outside of the United States. Was there this pattern inside the United States? Were similar activities pursued inside the United States and Canada?

Mr. SAKHIA. Well, in Canada in my period we were very small and we were in the beginning stage, and there was no such incident. In the United States, I am not aware of any corruption directly. And again, as Mr. Chairman had said we shouldn't go into the gossip, there was a lot of gossip. But mainly, to answer your question, no, we did not pay to any official or any politician or any regulator. No such payment or influence was bought.

Senator BROWN. Were there loans at preferable rates granted to people with political influence?

Mr. SAKHIA. I'm aware of one loan that was given to Mr. Young, Andrew Young of Atlanta. It was given out of Panama in mid-1980's, 1985, 1986, probably 1985, which after the indictment of BCCI was restructured as an advance fees for the services as a consultant. But the loan was actually made I think in 1985 or 1986. That is one loan I'm aware of.

Senator BROWN. What about loans such as the ones to Mr. Clifford and Mr. Altman? Are you aware of the arrangements involving those loans?

Mr. SAKHIA. Well, I have now become aware, but I wasn't aware at that time.

Senator BROWN. What about donations to charities?

Mr. SAKHIA. I'm aware of donations to two of Mr. Carter's projects. One was his library in Atlanta, or in Georgia, wherever it is; and to the Global 2000, by Mr. Abedi. These were two contributions I was aware of in terms of charitable contributions.



Otherwise, we from operating offices, we contributed to the Cancer Society and the Heart Foundation and others, which were pure charity charities.

Senator BROWN. Do you know the size of those contributions that you had mentioned to the presidential library and the other?

Mr. SAKHIA. The Presidential library, \$500,000, \$500,000 U.S. dollars, was donated to the library.

Senator BROWN. This would have been after the President, President Carter, was out of office?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Was there any suggestion that this somehow resulted in political influence, since he was out of office?

Mr. SAKHIA. Well, again, you have to understand the culture of the bank and the global picture of the bank. Mr. Carter travels with Mr. Abedi to so many parts of the world. He goes to Pakistan, he goes to Kenya, he goes to Zimbabwe, he goes to many other places, with Mr. Abedi, on Mr. Abedi's plane.

What the Kenyans and Pakistanis see is very different: that he is the former most important man in the world, he is a friend of Mr. Abedi. He visits BCC offices in those countries. The media in those countries see that.

So, although it does not give him any foothold in this country per se, but around the world it's a different picture.

Senator BROWN. What about loans to political campaigns or people in public office? Was there ever a discussion of making loans to those entities or currying favor?

Mr. SAKHIA. Again, no loans were made from BCC books. I later on became aware of loans to—from Washington, from First American Washington, to some campaigns, and one that comes to my mind was Mr. Hart's loan by First American.

Senator BROWN. Were there other loans that you know of?

Mr. SAKHIA. Again, I won't go into the gossip. The facts, I do not know the facts.

Senator BROWN. You mentioned a joint marketing effort. How did you coordinate this joint market effort? You've talked about meetings that occurred occasionally. Were there other means of communicating?

Mr. SAKHIA. We used to be, again, in regular touch with each other.

Senator BROWN. When you say "regular touch," phone, telex?

Mr. SAKHIA. Phone and correspondence and telexes, and the Senator's office has a lot of documents in that regard.

There used to be, from I think some time in 1984 to end of 1985, there was a U.S. coordinating committee, in which all the heads from different locations were members. I was the coordinator of that committee.

Senator BROWN. Excuse me, if you would. The U.S. coordinating committee?

Mr. SAKHIA. What was called by BCCI as a U.S. coordinating committee. I was the coordinator of that. And in every meeting we would ask somebody to chair the meeting.

Senator BROWN. Who all sat in on that meeting?

Mr. SAKHIA. From BCCI, Mr. Soubole from California, Mr. Shafique Rehman from New York, from Canada Mr. Allahdad, Mr. S.M.

Shafi from the Latin America region, and myself from Caribbean region. Those were the five principal BCC people.

Tariq Jamil from National Bank of Georgia, Mr. Afridi and Mr. Elly from First American Bank New York.

We used to meet almost once a month and discuss the marketing strategy, the coordination strategy, et cetera, regarding marketing and profit and growth.

Also, I used to have direct relationship with the First American in Washington and New York, because for a moment BCC's most successful operation in western hemisphere was Miami. We had not done so well in Canada, we had not done so well in California, we had done disastrously in New York. Latin America was still an upcoming operation. So everyone was to look to me, that: You give us a lead; you have the contacts, you have the success story.

And we were very well known in Florida. So even when we did not market, people came to us and our customers brought in other customers. And some of the business we could not handle because we were agency, so everyone will ask me to give them the business.

Even Mr. Altman used to tell me, and to Mr. Abedi: Why we are not getting enough business?

Senator BROWN. You said Mr. Altman. Now, I understood Mr. Altman and Mr. Clifford were unaware that BCCI owned the bank. But are you telling us Mr. Altman talked to you?

Mr. SAKHIA. About marketing, yes.

Senator BROWN. About marketing.

Mr. SAKHIA. But for me it is very hard to believe, very, very hard to believe, almost impossible to believe—I may be naive—that Clifford and Altman did not know.

Senator BROWN. Now, why do you say that?

Mr. SAKHIA. Well, besides marketing, we in late 1985 decided, BCC, Mr. Abedi decided, two very major decisions. One was to incorporate or buy a bank in Florida for BCC directly; and two, to merge the National Bank of Georgia with First American.

Now, again in various hearings and various testimonies I have heard about the purchase, but to my simple mind this was not a purchase; it was a merger. And to give you a layman's example: My father has asked me to buy one company, he has asked my brother to buy another company. Now my father tells me that: Son, you buy all of your brother's company—or you merge with brother's company. And I tell him: Dad, we can't merge it; we have to, because of the legal situation, we have to buy each other, and I don't have the money.

So he says: I'm going to give you the money. Fine, give me the money. He says: Well, I won't give it to you; I will keep it with me in your account. So fine. Now I assume that there's the money for me. I give him instructions to pay to my brother. My brother pays him back.

So money has never left my dad's hands. It is still in his pocket. All that has happened is some paperwork has taken place, but in the end we end up merging. Now, you call it buying, you call it integration, you call it merger. It's one and the same thing.

Senator BROWN. Well, in accomplishing this merger were Clifford and Warnke your attorneys involved? Did they participate?

Mr. SAKHIA. I believe so. The legal work was, again, coordinated with London, but I believe it was done by—I could be wrong, but I believe it was done by Clifford and Warnke.

Senator BROWN. As I understand it, you had mentioned earlier that you spoke——

Senator KERRY. Let me just insert for the record that the legal work on that particular transaction was done by White and Case in New York.

Mr. SAKHIA. It could be.

Senator KERRY. They were brought in for the transaction specifically.

Senator BROWN. Thank you.

As I understand it, you were advised by attorneys that if you spoke out that you might face charges of some sort; is that correct?

Mr. SAKHIA. Well, the threats have been that there's been so many wrongdoings by BCCI, that they would make sure that I get implicated in some wrongdoings.

Senator BROWN. Did they indicate the nature of the wrongdoings?

Mr. SAKHIA. Nobody has indicated, but I think the Senator, Mr. Chairman's office, is aware of one possible leak to the press, which we had agreed we would not discuss. But there's a possibility always exists that in some form some documents will come up.

Senator BROWN. Who was it who communicated this threat to you or this potential to you?

Mr. SAKHIA. Well, again it comes through so many hands. It doesn't come directly. Mr. Naqvi would not dare pick up a phone and tell me, or his assistant. But they'll communicate one to another to another. Sometimes some friend of my wife will tell me. Sometimes some relative of ours in Pakistan will tell somebody. Sometimes somebody will tell my brother in Spain.

So it takes different forms. It doesn't come directly.

Senator BROWN. Do you have any feel for where these came from?

Mr. SAKHIA. Well, they all originated from either Mr. Zafariq Val's office or Mr. Swaleh Naqvi's office.

Senator BROWN. Were there any attorneys involved in this process?

Mr. SAKHIA. Let me ask my counsel. [Witness confers with counsel.]

Sir, I'm aware of one report prepared by attorneys with the sources inside the bank. The information was given from inside BCCI, which is a very suspicious, which is a very dubious report, which tries to implicate me into wrongdoing, and it was done by attorneys, bank attorneys, and the information was provided by the bank to them, which tries to implicate me in one wrongdoing.

I'm aware of one. Some ex-BCCI staff have been questioned about other matters and have been asked to say if they knew of my wrongdoings and what they can tell them, and those staff have come back and told me that, look, they are being asked all sorts of questions by bank attorneys even after they had left the bank. So there has been a second attempt beside the first attempt.

Senator BROWN. Can you tell us who those attorneys were?

Mr. SAKHIA. I'm advised not to name these attorneys.

Mr. SCHNAPP. Senator, perhaps I am clarify what Mr. Sakhia is saying. The example we're referring to is an example of—this is just one example—of a report that was prepared. We're not stating that the particular attorneys themselves engaged in any wrongful conduct. What we're saying is that these attorneys gathered information into this voluminous report without documenting their sources. Their sources appear to be—well, are clearly people inside the bank.

And to the extent that the attorneys have gathered this document, prepared it and submitted it, as well as, we believe, somebody along the chain leaked it to the press, that's what the concern is. To the extent that the attorneys actually gathered the information and typed the document, we're not suggesting the attorneys did anything other than collect information.

But there are certainly people within the bank whose motives were suspect and were trying to shift the blame downward.

I believe Mr. Sakhia used as an earlier example a situation where at one point BCCI, in defending itself against the money laundering charges, used examples of policies he tried to implement to exercise greater control in the Miami region to defend against the money laundering case, and then at a later point in time other attorneys said to him: Well look, if you testify against the bank we're going to involve you in that case.

So his response was simply: Well, how can you use the same documents to defend yourself against money laundering charges and yet say I'm involved in money laundering?

So those threats have been communicated directly to him.

Senator BROWN. Just so I understand, you indicated that attorneys communicated to him that he may be charged with regard to this?

Mr. SCHNAPP. Senator, there are several examples. One example is the report I'm talking about, which suggests that Mr. Sakhia exercised some control over some transactions that took place in Miami. But the attorneys who gathered this information are reporting it from sources in the bank, so we know that this report exists. We've seen a copy of this report. It's filled with inaccuracies. But I'm not suggesting that the attorneys themselves were involved in that.

There was another example where I personally was present, where attorneys were suggesting that, if Mr. Sakhia takes any action with respect to the efforts of the New York State Banking Commission to foreclose on his house, that he might be concerned about things that they would bring out publicly. And our response simply was: We'll take whatever legal action we have to, and we're not afraid to face any public allegation against Mr. Sakhia. And that's why we're here today.

Senator BROWN. Can you tell us who those attorneys were that conveyed that message?

Mr. SCHNAPP. In which? In the meeting? I'd prefer not to at this point.

Senator BROWN. OK. One last thing with regard to First American. Did you ever have direct contact with the chairman of the board or the president of the bank in a way that would indicate, in

a context that would indicate, they knew of BCCI's ownership interest?

Mr. SAKHIA. You mean the chairman of First American?

Senator BROWN. Uh-hmm..

Mr. SAKHIA. I had little contact with the chairman, Mr. Clifford, but I had contact with Mr. Altman, fairly frequent contact with Mr. Altman. No, we did not discuss the ownership issue. But one incident again that comes to my mind: There was a meeting between Mr. Naqvi, Mr. Shahid Jamil, myself, and Mr. Altman over a dinner in Luxembourg, where we were trying to acquire one bank in Florida.

And this had gone on for about 5 or 6 months. Initially we were going to acquire the bank for BCCI directly. But in 1985 BCCI had made a big loss in exchange, in option trading, and Mr. Naqvi was advised, again I don't know by whom, but I presume by Clifford and Warnke, that it would not be appropriate to approach the regulators in the United States with the financial statement of BCCI on December 1985.

So we decided that the bank would be bought for a BCCI client as if it were—or a nominee. And between February 1986 and May 1986, the three nominees were changed. First we said Dr. Pharaon will be buying, then we said—I was communicated that, no, Kemal Adnan would be buying.

And in this meeting in Luxembourg in May 1986, Mr. Naqvi told Mr. Altman and myself that the bank would be bought by Sheik Fulaij, and he would send his net worth statement and power of attorney to Mr. Altman. Mr. Naqvi also said that he would give a file of the model agreement between Dr. Pharaon and BCCI in case of Independence Bank.

Now, my memory is a bit confused at this stage whether Mr. Altman went to London following Luxembourg and collected the file or Mr. Naqvi gave me the file. But one of us collected the file of that model agreement with the Independence Bank and BCCI, and both of us had seen that file, how the acquisition of Independence Bank was done, what were the loan agreements, what were the powers of attorneys, what were the management agreements, the whole works.

And we were going to do the same thing in Florida vis-a-vis acquisition of that bank we were looking at in Florida. So from that model, I was fully aware that we were using a nominee, front man, client, whatever we would call it, and this was what we had done in California. And this part I know had been communicated to Mr. Altman.

So as regard these two banks Mr. Altman was aware.

Senator KERRY. Would the Senator yield for a minute.

You said Mr. Naqvi made the decision about who would buy the bank? Is that what you said?

Mr. SAKHIA. Buy the Florida bank?

Senator KERRY. Correct.

Mr. SAKHIA. Yes. Mr. Naqvi communicated it to us.

Senator KERRY. Mr. Naqvi communicated it to you?

Mr. SAKHIA. Yes, sir.

Senator KERRY. But they were essentially telling you who was going to buy the bank?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Not some independent person coming to you and saying, we want to buy the bank?

Mr. SAKHIA. No. I have never met Sheik Fulaij in my life. I was buying a bank for him, but I had never met him. Until today I have never met him.

Senator KERRY. Well, is it possible that he was acting in the advisory capacity that's been described to previous committees, that this was merely they were an agent on behalf of separate advisors and they were acting on behalf of separate investors?

Mr. SAKHIA. In the case of this Florida bank that we were buying—

Senator KERRY. People buy things sometimes without people meeting them, correct?

Mr. SAKHIA. Senator, in respect of this Florida bank, BCC wanted to buy the bank and the reason BCC was not buying the bank was because BCC's financial statement was not good enough to go to the regulators.

So we said, well, for a year or two this bank would be owned by somebody else, and then we are in a position to have an improved balance sheet; we would go and merge it for ourselves.

Senator KERRY. So this was a specific strategy by which that bank would be bought—

Mr. SAKHIA. Yes.

Senator KERRY [continuing.] Secretly, through a nominee holder?

Mr. SAKHIA. Right, sir.

Senator KERRY. With the intention that the bank, because the nominee holder was somebody that they controlled—

Mr. SAKHIA. Yes, sir.

Senator KERRY [continuing.] Or financed completely, they knew ultimately they would be able to take over that entity?

Mr. SAKHIA. Right, sir.

Senator KERRY. Is that the same thing that happened to National Bank of Georgia?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Is that the same thing that happened to First American?

Mr. SAKHIA. I believe so. This is my own view.

Senator KERRY. That's your view?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Is there evidence that supports that view?

Mr. SAKHIA. Again, we discussed earlier that within BCC group this was one and the same bank.

Senator KERRY. Well, let me just ask a few questions about that. Well, I'll come back to that. I want to come back to that.

Senator PRESSLER. Following up on that, something very basic: Would it be unusual for Mr. Altman to be talking to you if he didn't know that the bank was owned by BCCI? How did you come to be talking to Mr. Altman?

Mr. SAKHIA. I don't understand the question.

Senator PRESSLER [presiding.] How did you come to be talking to Mr. Altman if he wasn't aware that his bank was owned ultimately by BCCI?

Mr. SAKHIA. Mr. Altman had many roles. He was the general counsel to BCC, he was representing BCC interests in First American, and he was also an advisor, more than legal advisor, an advisor and a consultant to Mr. Abedi and Mr. Naqvi.

So even if we were looking to buy a bank in Florida, Mr. Abedi would call Mr. Altman for his views, and then Mr. Abedi or Mr. Naqvi, and in the earlier days Mr. Shoaib, would convey back to me what their conversation with Mr. Altman has been.

In terms of the acquisition of the bank in Florida, between November 1985 and about the middle of 1986 we worked together on an ongoing basis. Mr. Altman came to Florida several times, I came to New York several times. So we had a relationship with Mr. Altman going back all the way to almost 1982, 1983, 1983 probably, in terms of marketing for First American, in terms of BCC strategy in America, which State we should base our home State in.

I remember discussing with Mr. Altman which would be the most convenient place for BCC, and we had short-listed four States: California, New York, Texas, and Florida. I was of course, being based in Florida, I was very much rooting for Florida. And I remember telling Mr. Altman: Mr. Altman, New York is yesterday of America, California and Texas are today of America, but Florida is tomorrow of America; so we must base BCC in Florida. We have been very successful. We have been the most recognized bank in Florida.

But they also wanted, First American also wanted, to expand into Florida.

So at no time they had ever envisaged buying a bank or expanding into Georgia. At no time in my discussion they had considered Georgia as one place for expansion of First American.

Senator PRESSLER. When Mr. Altman talked to you about marketing, what did he say?

Mr. SAKHIA. We had several meetings in Washington to coordinate some of the products. For example, we were not in business of making home mortgages in Florida. We were a foreign bank agency. But First American in Mr. Altman used to do home mortgages and they had the ability to sell these mortgages upstream.

So we worked out a joint product, that we will sell home mortgages to our clients in Florida, sell it back to First American, who would then do the onward marketing of those, onward placement of those.

We discussed also marketing for embassy accounts, because BCCI had the contact with the foreign governments and the decision to open an account does not rest with the embassy in the host country; the decision is made by the foreign office or ministry of finance in the home countries. So BCC would make the contact in the home countries, like Sri Lanka, Pakistan, whatever, and correct the services of First American Washington to open the account with First American, get those embassies to open the account with First American in Washington. So we had a strategy for that as well.

Senator PRESSLER. I see. What I'm trying to get at here is a feel for whether, in your judgment, Mr. Altman was so involved in

giving advice on such thing as marketing and investment that he knew of the ownership.

Is it possible that he didn't? I mean, could he possibly have not?

Mr. SAKHIA. It's very, very hard to believe it. It's very hard to. For me it's impossible to believe that he did not know.

Senator PRESSLER. Now, the check to General Zia for 40 million Pakistani rupees—do you think that was a payoff or was that for some legitimate purpose?

Mr. SAKHIA. Sir, this check is only a partial document, and from what I see in this exhibit it does not seem to be a payoff, because it has been deposited in the central bank of Pakistan.

Senator PRESSLER. So it was payment for something legitimate?

Mr. SAKHIA. Yes, sir.

Senator PRESSLER. I'm trying to understand the international corporate culture of this type of banking. I understand that BCCI officials even provided noncash services to some foreign officials in the nature of prostitutes in some instances.

For whom did BCCI provide prostitutes?

Mr. SAKHIA. Well, again this is a common gossip. The facts are not known because nobody will show an exhibit of that. But it's common gossip that a lot of Middle Eastern people were introduced to call girls, et cetera.

Senator PRESSLER. Now, in 1984 did you learn of reports that BCCI was involved in drug money laundering? I believe you testified that you did, through Senator Paula Hawkins. However, can you describe how you learned of BCCI's involvement and what you did about it?

Mr. SAKHIA. Sir, in some time in early 1988—early 1984, I got a call from Mr. Abedi on Saturday morning, very early Saturday morning, at my apartment in Miami, and Mr. Abedi asked me if I knew Senator Paula Hawkins. And I said I had met her at some fund-raising or some social event and I was introduced to her; I don't know her intimately.

He said: Can you take an appointment and go and see her? I said: What about? He said: First you take an appointment and I'll tell you later on.

So I made phone call. The Senator was out of the country. She was coming back a few days later. But I insisted that I cannot seek an appointment with a U.S. Senator—it's not like going to a Third World country to meet—even a head of state you can meet at short notice, but a U.S. Senator takes a long time, and I had to state a purpose. That's why I'm overwhelmed in your presence.

So he, Mr. Abedi, told me—

Senator KERRY [presiding.] You're the only one in the country who is.

Mr. SAKHIA. Pardon me?

Senator KERRY. That's all right.

Mr. SAKHIA. He told me that Senator Paula Hawkins, along with some other Senators or officials, had visited Pakistan and met General Zia, and she had told to General Zia that, besides the smuggling of drugs from Pakistan, et cetera, et cetera, there was also money laundering being done by a Pakistani bank out of Grand Cayman.



General Zia had investigated through the central bank and the ministry that there was no Pakistani bank in Grand Cayman. So they communicated back, the government communicated back with Senator Paula Hawkins, and said: Your information is incorrect; we don't even have a bank in Grand Cayman.

So Senator Paula Hawkins' office communicated, I don't know through what channels, that the bank they were talking about is BCCI in Grand Cayman. So then General Zia blew his top and said: Look, you are spoiling our relationship with the U.S., we have a very close relationship with the United States, et cetera, and our aid is in jeopardy. Why are you doing this?

So that's why Mr. Abedi wanted me to meet the Senator and talk with her.

I came to probably this very building, met Senator Paula Hawkins very briefly, and I said: Senator, we are not involved to my knowledge, but we have thousands of employees, it's a big business. Maybe somebody has been corrupted. If you give us the information, we will fully cooperate with you. We'll get rid of the staff. We have hundreds of thousands of clients, and if we are aware of any clients we will stop doing business with them.

But news like this, first of all it is damaging us in Pakistan, and second, if it leaks to the press, it'll be very detrimental.

So you cannot make a unilateral charge like this. We are here, ready, willing, and able to fully cooperate with you.

The Senator looked at her watch and said: Look, I have a meeting with President Reagan, so I have to leave. But you stay in Washington, give your hotel reference, and we'll meet later.

I think I stayed another day or two and then we had a meeting again in this very building, in which four people were present. The Senator was not present herself, but four people were present, which if I recall those were a gentleman from her office, somebody from State Department, somebody from Justice Department, and Drug Administration.

I did not know who was who. I was told. I don't even remember the names of anyone. But I was told that to their knowledge BCC was not under investigation. I said: Then you have, without telling us what we have done wrong, you have already convicted us in the eyes of General Zia.

So they said: We will take care of it. Subsequently I learned, I don't remember from U.S. sources or Pakistan sources, that the State Department had communicated with the Pakistan Government that BCCI was not subject of investigation.

Senator PRESSLER. The State Department told Zia that BCCI was not under investigation?

Mr. SAKHIA. Yes. This was I was informed later on. I don't remember from Mr. Abedi's source or from the Senator's office, but somehow I came to know that a communication had been sent, an official communication from the U.S. Government.

Senator PRESSLER. This was all in 1984, is that right?

Mr. SAKHIA. Yes, sir, mid-1984.

But I became then very alert and very conscious, and with the Drug Administration officials in Florida, with the Florida State Banking, we became very close in terms of fighting the drug money. I was a member of the committee of the Florida Interna-

tional Bankers Association and all the foreign bankers in Miami, we said we would make an attempt.

We had various seminars by the Federal Reserve people conducted in our office and in many other foreign bank offices and so on. So I was very active in antidrug campaign.

Senator PRESSLER. Then the Justice Department, the DEA, did followup with you?

Mr. SAKHIA. Not Justice Department, but the local people in Miami.

Senator PRESSLER. As a result of the meetings with Senator Hawkins?

Mr. SAKHIA. Well, more also as a result of the Florida International Bankers Association becoming very active in fighting money laundering. So we had constant communication as a group of international banks in Florida.

Senator PRESSLER. Now, in 1983 I understand that BCCI had purchased a bank in Colombia?

Mr. SAKHIA. Yes, sir.

Senator PRESSLER. And began to aggressively market itself. What was your reaction to that acquisition?

Mr. SAKHIA. Well, in December, around Christmas 1982, we had a meeting in Panama, and Mr. Akbar Bilgrami, who was indicted and convicted, and Mr. Amjad Awan, brought in a proposal of this bank in Colombia. We wanted to expand in Colombia in terms of a branch in Bogota which would do international business, but according to them the only way we could get an entry into Colombia would be to buy this bank.

I had vehemently opposed the acquisition, one, because the bank was doing very poorly. It had branches, about 26 branches or more than 20 branches all across Colombia. It had a big staff, big client base. I said: What are we going to do with all of this? We do not know what people they are, what type of clients they are, what are they doing in Cartagena, Cali, Medellin? How are we going to control this?

I had been to Colombia twice before this meeting to our office. We used to have a representative office in Bogota. And every time they would take me from the airport escorted by an armed guard to my hotel. And hotel and BCC office were more or less across the street, and still an armed guard would take you from the hotel to the office.

I said: How are we going to manage offices in remote parts of Colombia when you cannot walk in Bogota unescorted? I said: We don't know what type of clients they are, what type of business they have, what type of money they have; we shouldn't go into this acquisition.

Later on I learned that we would now divide the operation into Caribbean and U.S. on one side and Latin America on the other side. So Colombia, Panama, Peru were taken out of my jurisdiction.

Senator PRESSLER. Thank you, Mr. Chairman.

Senator KERRY. Thank you.

Let me just followup on a couple things on the drugs. In 1984, when you learned of reports that BCCI was involved in money laundering from Senator Hawkins, did you ever find out from her where she learned that?

Mr. SAKHIA. I did try, but just——

Senator KERRY. Nobody told you?

Mr. SAKHIA. Nobody. They had an blank curtain. As I told you, the Senator ceased the meeting immediately and subsequently I didn't meet her, I met her staff.

Senator KERRY. The record should show that there is evidence in memoranda that the CIA at that time had written a significant summary of BCCI's money laundering activities, and I believe had sent it to the FBI, as well as to other Departments and agencies of the Government. Notwithstanding that, you say that BCCI was told that it was not a target of investigation, is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now, that raises a series of interesting questions about CIA involvement at that period of time. Did the head of BCCI, Mr. Abedi, ever suggest to you that he was under surveillance by the Government of the United States?

Mr. SAKHIA. He didn't tell me personally——

Senator KERRY. He did tell you?

Mr. SAKHIA. No, but we heard in the bank that he was being on a watch list of the intelligence agencies in the United States. Whether that meant CIA or FBI, I am not aware of.

Senator KERRY. I had understood that in 1984 Mr. Abedi had told you that he was on the watch list.

Mr. SAKHIA. Well, again I don't recall whether he or Mr. Naqvi or Mr. Shoaib or someone had said about his ambivalence to travel to United States and to expand in the United States.

Senator KERRY. The point is he had expressed overtly a concern about the U.S. Government's view of him; is that accurate?

Mr. SAKHIA. Yes, something like this.

Senator KERRY. Well, I don't want to be something like this. I want to be whatever it was.

Mr. SAKHIA. He had a lot of ambivalence about expansion, travel to, doing business in the United States.

Senator KERRY. Why did he have that ambivalence?

Mr. SAKHIA. There was an impression in the bank that he was either on a watch list or he was not liked by the United States.

Senator KERRY. Did some months later, early in 1985 or after 1985, did that attitude change significantly?

Mr. SAKHIA. Well, from mid-1985 his attitude changed completely. He was then freely coming. He decided about the expansion into California, Florida, merger of Independence—I mean, merger of First American and NBG et cetera.

Senator KERRY. Do you have any knowledge of why his attitude changed so significantly?

Mr. SAKHIA. No, sir, I do not. My own impression is that some deal had been struck somewhere.

Senator KERRY. That was your impression?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Did anybody put that idea in your head?

Mr. SAKHIA. No. Again, in that culture you understood a lot of things, whether you were told or you were not told, but you understood a lot of things.

Senator KERRY. Well, what made you understand that? I mean, that's a hell of a thing just to pull out of the sky and say he struck a deal or something.

Mr. SAKHIA. Well, I know of similar situations, with hindsight. For example, BCCI officers were indicted and jailed in other countries, like Sudan, Kenya, India, and in each case there was a terror in the bank that, you know, this has happened, that has happened. And somehow then some deal would be struck. People would be freed, BCCI would start doing business all over again.

Senator KERRY. What were they jailed for in these various countries?

Mr. SAKHIA. On different charges. I think in Sudan—in all of these cases, if I remember correctly, it was the exchange, foreign exchange violations.

Senator KERRY. Foreign exchange violations?

Mr. SAKHIA. Yes, sir.

Senator KERRY. In fact, the bank had a reputation for foreign exchange violations at that time, didn't it?

Mr. SAKHIA. Well, to be honest, all foreign banks try to work around the controls. BCCI did it more blatantly.

Senator KERRY. So you came to believe that something made his attitude change significantly about dealing with the United States?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now, did he come to the United States more frequently after that change in attitude?

Mr. SAKHIA. Yes, sir. From mid-1985 onwards, he became a very regular visitor to the United States.

Senator KERRY. A very regular visitor.

Mr. SAKHIA. Right.

Senator KERRY. Now, did you ever learn that BCCI was providing services to the Afghani mujahedin?

Mr. SAKHIA. Again, I had heard from BCC in Pakistan that we had some accounts of aid to mujahedin coming from various sources with BCCI offices.

Senator KERRY. Did you come to learn of BCCI's involvement in the Iran-Contra affair?

Mr. SAKHIA. Yes, sir. When I took over the U.S. region we had a case pending in California where one of our officers was involved in dealing with an arms dealer. In fact, we had an account of an arms dealer.

Senator KERRY. Is that Mr. Arif Durani?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Who is Arif Durani?

Mr. SAKHIA. Well, I have never met him. He is a Pakistani gentleman who had an account relationship in BCCI Los Angeles.

Senator KERRY. And he was trying to ship weapons to Iran, is that accurate?

Mr. SAKHIA. Well, he was alleged to and then subsequently jailed for dealing in arms to Iran.

Senator KERRY. Something made you believe that he somehow was part of the Iran-Contra affair, is that accurate?

Mr. SAKHIA. This had come up in my discussion with the attorneys who were handling BCCI's side in San Francisco.

Senator KERRY. Which attorneys?

Mr. SAKHIA. Again, sir, I'll have to look up the name. I don't know it. BCCI's San Francisco attorneys.

Senator KERRY. OK.

Mr. SAKHIA. Or Los Angeles. Probably San Francisco attorneys.

Senator KERRY. Tell us what happened? What took place?

Mr. SAKHIA. Well, what had happened was that when Areef Durani was arrested he phoned from prison or detention this officer of BCCI in BCCI's office to stop payments on cashier's check which he had made for acquisition of equipment.

Senator KERRY. Acquisitions of equipment?

Mr. SAKHIA. Yes. We didn't know what equipment. They were supposedly electronics.

And that officer stopped the payment of the checks, which is irregular because they were BCCI cashier's checks. They were not client checks. Which was irregular.

Then not only did he stop the payment, but he transferred the funds back to Durani, used that money for Durani's bail, all without authorization from the general manager in San Francisco. And he was I think subpoenaed to go to Massachusetts or somewhere in the Northeast.

Then the bank had found out—or the general manager in San Francisco had found out that this was happening. So he transferred this man out of Los Angeles office, made him sit in San Francisco and communicate with the bank's attorneys.

However, to both our horror, to Mr. Soubole's horror and my horror, London had overruled Mr. Soubole's decision to remove this officer from Los Angeles as an active officer. When I took over, Mr. Soubole briefed me about this. So as soon as I got to Los Angeles from San Francisco, I suspended him all over again and said—

Senator KERRY. This is hard to follow. I want you to try to keep it as tight and as clear as you did the story about the two brothers and the father. That we could understand. So I need you to try to keep this focused.

Mr. SAKHIA. Although this officer was under a lot of suspicion and was being investigated by the authorities in the United States, the then-general manager of California had removed the officer from active duty in Los Angeles branch and put him in the regional office in San Francisco. Somehow from London he got instruction to send that officer back to Los Angeles and reinstate him in his duties, which neither Mr. Soubole, who was the then-general manager, nor myself understood why BCCI would take such a disastrous step, to put in an officer who is under cloud of an investigation by U.S. authorities.

So immediately I took over I again suspended him and transferred him back, made him available to London to put him anywhere else in the world he would be assigned to.

Subsequent to that incident, a few months later I was contacted by someone from FBI to say that they wanted some records from our office in Monte Carlo, and they had a lot of material originating from the U.S. and from the Swiss end, but the missing link was the Monaco branch, the Monte Carlo branch, of BCCI.

Senator KERRY. When did you receive this call?

Mr. SAKHIA. This would be again mid-1987 or second half of 1987. And they said—

Senator KERRY. And they had records of Switzerland, you say?

Mr. SAKHIA. They had information from the Swiss bank. They had information from the U.S. Government, activities this side. But the missing link was records of BCCI in Monte Carlo.

Senator KERRY. This is the FBI is saying this?

Mr. SAKHIA. The FBI is saying this.

Senator KERRY. The FBI says: We need records from Monte Carlo.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Did they tell you with respect to what?

Mr. SAKHIA. Yes. They told me that they were investigating this Iran-Contra and a loan had been made by some person, they did not know who, to Mr. Khashoggi. This loan had been arranged by the manager of BCCI in Monte Carlo. This manager had been paid \$100,000 by, presumably by the U.S. Government officials, and he had deposited that check in Switzerland in his own account.

Senator KERRY. Did the FBI show you any documents at this time?

Mr. SAKHIA. They showed me the check of payment, \$100,000, to this officer. So they wanted to know who—

Senator KERRY. Payment by Adnan Khashoggi?

Mr. SAKHIA. Yes, sir.

Senator KERRY. To a BCCI officer?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Of \$100,000?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And they showed you that document?

Mr. SAKHIA. They showed me the check.

Senator KERRY. OK.

Mr. SAKHIA. Which had been deposited in a Swiss bank.

So I contacted the general manager of BCCI in France and my boss in London, Mr. Ameer Siddiki, and I said: I have been approached by FBI and I think we should cooperate informally, notwithstanding the French secrecy laws, whatever, because once it gets out into the open we would have a lot of notoriety.

So they agreed to cooperate and they sent me the required information, which I passed on to FBI.

Senator KERRY. When you say "they agreed," you agreed to help them, correct?

Mr. SAKHIA. Well, I agreed to FBI—

Senator KERRY. Was there a quid pro quo for the agreement?

Mr. SAKHIA. That they will not have this information leak to the press.

Senator KERRY. So they would keep you out of the press if you cooperated with them?

Mr. SAKHIA. Yes, sir.

Senator KERRY. So then you were working with them to find what, to find the name of an individual?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And the name of the individual—the individual they were looking for was engaged in what? Who was this person?

Mr. SAKHIA. This person had given loans to Mr. Khashoggi privately, and presumably that was the person, a Shiite from Lebanon, who had been in touch with the officials in the U.S.

Senator KERRY. What's the significance of that, can you tell us?

Mr. SAKHIA. Well, the significance of this is when I found that this officer, whom we knew had accepted a bribe, still continued in BCCI for a long period of time, an officer in Los Angeles who had been under clouds and under investigation continued to work in the bank and in the same position, with the full knowledge of the executives in London, my knowledge is that this was all being orchestrated from London and London was aware of what was happening.

Senator KERRY. So you concluded that there was a reason that London wanted this person who had received a bribe of \$100,000 to stay in the bank?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And simultaneously the FBI was inquiring about Iran-Contra and the link of how that money may have come to have been paid, is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Did you talk to somebody at that time about BCCI's involvement with Khashoggi and Iran-Contra?

Mr. SAKHIA. Within the bank or outside?

Senator KERRY. Either?

Mr. SAKHIA. Within the bank I did discuss, and that's why I removed the officer from Los Angeles and I recommended the firing of the officer in Monte Carlo.

Senator KERRY. Well, didn't you have a conversation with Mr. Ameer Siddiki in which you questioned why this person was being moved—why he was staying?

Mr. SAKHIA. Why he was staying, and I would not have him in my region.

Senator KERRY. What did Mr. Siddiki say to you?

Mr. SAKHIA. Well, in case of the officer in Los Angeles I had a veto power, so I said I would not keep him in my region. I could not fire him because he was an expatriate officer, but I would not keep him in my region.

Senator KERRY. Didn't he express some kind of feeling of anger about the United States sort of calling the shot on this?

Mr. SAKHIA. Well, not in this case. In another case, after BCCI was indicted in 1988, in December 1988 or January, February 1989, I went to London and I insisted that BCCI implement the internal controls and compliance, not only in the United States but also in Panama, Colombia, and other locations.

And Mr. Ameer Siddiki said: Does United States control the whole world?

Senator KERRY. I'm going to put into the record now some documents relating to this transaction. The first of these is dated March 27, 1986, and it consists of a \$10 million deposit by BCCI in the name of a company which is under formation in the Cayman Islands, at the request of Adnan Khashoggi.

[The information referred to follows:]

DISK 2 PAGE 354  
MESSAGE # 533  
RCV LN 1

SEN 000739

264862 BCC LAR  
RCA MAR 27 1215

27TH MARCH 1986

CYM/GMA/0914

C.C. MR. S.M. SHAFI  
GENERAL MANAGER  
LATIN AMERICA REGION  
BCCI MIAMI

MR. AKHTAR ANIS  
EXECUTIVE IN CHARGE INTERNATIONAL DIVISION  
BCCI LONDON

SUBJECT: EURO BANK CORPORATION, GEORGE TOWN, GRAND CAYMAN  
=====

REFERENCE YOUR TELEX LDN/4709/03G OF DATE, WE ADVISE YOU AS  
UNDER:-

EURO BANK IS A LOCAL SMALL BANK OPERATING ONLY OFFSHORE BUSINESS AND  
THEY DO PLACE FUNDS WITH US BETWEEN DLRS 1,000,000/- - DLRS 3,000,000.00  
TIME TO TIME.

WE WERE APPROACHED BY ONE OF THE DIRECTORS OF THE SAID BANK WITH  
THE PROPOSAL THAT THE BANK WILL DEPOSIT USDLRS 10,000,000.00 WITH US  
IN THE NAME OF A COMPANY WHICH IS UNDER FORMATION IN THE CAYMAN  
ISLANDS AT THE REQUEST OF MR. ADNAN KHASHOGGI, AND THAT COMPANY  
WOULD LIKE TO HAVE CREDIT LINE AGAINST THESE DEPOSITS WHICH WILL  
BE UNDER LIEN TO US TO WHICH WE HAVE NOT MADE ANY COMMITMENT.

THE ABOVE MATTER WAS DISCUSSED WITH US ONCE IN THE FIRST WEEK OF  
MARCH AND AFTER THAT NO FURTHER COMMUNICATION HAS BEEN MADE BY THEM.

IN CASE THE ABOVE BANK REVERT TO US AGAIN, WE SHALL REFER THE MATTER  
TO YOU FOR YOUR PERUSAL AND GUIDANCE WITHOUT ANY COMMITMENT TO THEM.

BEST REGARDS,

S.M. AKBAR  
BCCI GRAND CAYMAN  
264862 BCC LAR  
DURATION 242 SECS LISTED 0233 77701-06-00

PAGE 360 IS NEXT

C 0002385



SEN 000738

DISK 2 PAGE 365  
MESSAGE # 535  
RCV LN 1

264862 BCC LAR  
RCA MAR 27 1223  
264080 BCCMI UR  
MSG A742

THIS IS BCCI MIAMI TLX ROOM, WE ARE RELAYING THIS MSG  
TO THE ATTN: OF MR. S.M. SHAHI, WE QUOTE MSG BELOW

-----  
QUOTE

092251 BCCLNA G  
ZCIC BTX712 0055 0052 IPP591  
MIAMI/TO: BCCI MIAMI U.S.A.  
.002 TLX REF LDN 4709/03G 27.03.86

TO BCCI GRAND CAYMAN

ATTN MR S M AKBAR

EURO BANK CORPORATION, GEORGETOWN, GRAND CAYMAN

WE UNDERSTAND THAT THE ABOVE BANK HAS RECENTLY HELD DISCUSSIONS  
WITH OUR GRAND CAYMAN BRANCH FOR ISSUING A LETTER OF GUARANTEE  
FOR USD 10 MILLION IN FAVOUR OF BCC MONTE CARLO FOR MR ADNAN  
KHASHOGGI. KINDLY LET US KNOW WHAT PROMPTED THESE DISCUSSIONS?

IN VIEW OF THEIR SMALL SIZE AND BECAUSE WE DO NOT KNOW THEM WE  
WOULD NOT BE INTERESTED IN ACCEPTING THEIR GUARANTEE.

PLEASE BE GUIDED ACCORDINGLY.

REGARDS

AKHTAR ANIS  
INTERNATIONAL DIVISION

CC: MR S M SHAHI  
BCCI MIAMI

BANCRECOM LONDON

0057270386  
NNNN  
092251 BCCLNA G

UNQUOTE  
REGARDS  
BCCI MIAMI  
NNNN

264080 BCCMI UR

264862 BCC LAR...\*\  
DURATION 205 SECS LISTED 0239 ???01-06-00

PAGE 370 IS NEXT

C 0002384

Senator KERRY. Are you familiar with the \$10 million transaction I'm referring to?

Mr. SAKHIA. I wasn't aware of it, but I have seen now the documents.

Senator KERRY. You've seen the document.

Mr. SAKHIA. Yes.

Senator KERRY. What does that—what is your understanding of the meaning of this transaction, do you know?

Mr. SAKHIA. Well, in isolation you cannot say one thing or another. If you put it all pieces together, it looks that BCCI was handling this \$10 million transaction.

Senator KERRY. Excuse me?

Mr. SAKHIA. In isolation this document does not evidence except a normal bank-customer relationship.

Senator KERRY. I understand that. But in light of what you've come to understand about this?

Mr. SAKHIA. In the context of this, BCCI was aware what was happening.

Senator KERRY. With Khashoggi?

Mr. SAKHIA. With Khashoggi.

Senator KERRY. And there was a \$10 million transaction?

Mr. SAKHIA. Yes, sir.

It's again very unusual to put through this transaction for a company which does not even exist at this time, because one of the principles of banking is you're to know your customer, who it is. In this case the customer doesn't even exist. The company had not yet been formed. So that is very unusual.

Senator KERRY. And the second through the fourth of the documents that I'm going to put in are from BCCI Miami, referring to transactions involving BCCI Monte Carlo on behalf of Adnan Khashoggi.

[The information referred to follows:]

MESSAGE # 775  
 DT 11 3581821 : \_ICE:RT TELEX: 2642469183.015- : 4691 :

RY:

RCA  
 YR ID ?  
 264862 ECC LAR  
 PLS SELECT SERVICE PRT

RCA TELEX GA 2642469183.015-  
 MAY 15 1624 839904  
 ECCI 469183MC  
 GA TEXT 1  
 :

TEL 00 4161

THE MONAGNA  
 EST MONTE CARLO

ACC: ROMAN KHASHOGGI ACC. NO. 1003799

WE ARE IN RECEIPT OF CHECK OF US\$100,000.00 PAYABLE TO EASTERN  
 AIRLINES. WOULD APPRECIATE IF YOU WOULD KINDLY BLOCK \$100,000.00.  
 WE ARE SENDING YOU CHECK BY DHL AND YOU ARE KINDLY REQUESTED TO  
 CREDIT THE PROCEEDS BY TELEGRAPHIC TRANSFER TO SECURITY CREDIT  
 INTERNATIONAL NEW YORK FOR ACCOUNT OF ECC MIAMI FOR ACCOUNT OF  
 EASTERN AIRLINES. VALUE 19 MAY 1986.

RGDS.

AKBAR BILGRAMI  
 ECCI-LAR  
 MIAMI

ECCI 469183MC.....  
 0001.8

\*  
 THANK YOU FOR USING RCA

DELIVERED MSG  
 DURATION 151 SECS LISTED 2114 1986-10-20

PAGE 2 IS NEXT

25

PYT

3375/L

-GTW 0829 EDT 03/05/86

05 1986 0831  
 25808A BCCINY MT

DI 469183MC

NO 5535 TS/GE DTD 5-3-86  
 BCCI NEW-YORK  
 BCCI MONTE-CARLO

ST NO ~~000000~~ FOR USD 30.000,- DTD 5-3-86

DUE 7-3-86 PLS PAY USD 30.000,- TO CITIBANK  
 8 - 5TH AVENUE NEW-YORK CITY 10019 FOR CREDIT  
 AKORP A/C NO 04605128599 B/C ADNAN KHASHOGGI.  
 REF : OTT/MC/NY/058/86 (.)

JS  
 DI MONTE-CARLO  
 25808A BCCINY MT.

DI 469183MC  
 PLY VIA ITT

EDWARD  
 TELEX MESSAGE

MAR 5 1986

BANK OF AMERICA & COMMERCE INTL.  
 NEW YORK

TEST AGREE

ATTN: 10

BY DISC.

posed time 00:01:24

INTED AT 0830 EDT 03/05/86

A22909

NY 0020777  
 CONFIDENTIAL

UNCLASSIFIED

1 Mr. Miller's understanding was. There was some confusion  
2 about how Mr. Miller and his associates would participate in  
3 some profits.  
4 And so when Mr. Shahbazi came back, we explained  
5 to him what our understanding of the transaction was. He  
6 says, Oh, Mr. Miller, it's a joint venture, what's mine is yours,  
7 what's yours is mine, we're going to be partners. And so he  
8 took out my yellow pad and he sketched a transaction in  
9 which—and he explained how the \$10 million dollars of funds  
10 would come from Triad International Marketing—

11 Q Maybe we can walk through the document as he drew  
12 it so we'll know what you're talking about. You're pointing  
13 at a square at the top of the page?

14 A Yes, there's a square at the top that has TIM,  
15 Triad International Marketing, and he said that the money,  
16 the \$10 million dollars, would go into a joint venture and  
17 that the \$10 million dollars would go—and he had a box and  
18 he said, "This is where we buy the arms." Then he  
19 drew an arrow down to a box in which he put the words  
20 "Iran". Then he drew a line back up through a box in which  
21 he wrote the name "Munster Gunsmelter". He wrote a name and  
22 he was trying to pronounce it and he wrote it out and, you  
23 know, it's obviously the name of Munster Gunsmelter.  
24 Off to the right, he wrote "Credit Refuse" and he  
25 wrote \$10 million dollars back into the joint venture, and

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1 then the \$10 million dollars because the \$11 and the—the  
2 square equally starts with "Credit Refuse". In other words  
3 \$10 million dollars from Credit Refuse goes into this  
4 venture, the venture buys the arms, the arms are shipped to  
5 Iran, Iran pays for the arms, except when the money comes  
6 back through, it's \$11 million dollars, and there was to be  
7 a profit. Part of the profit was to go to Triad  
8 International Marketing and part of the profit was to go to  
9 others, including something that he described as BOCC, and  
10 then he put \$10 million dollars, "60,000" and underlined it  
11 and indicated that this \$10 million dollars would go through  
12 four times producing \$40 million dollars of sale and,  
13 therefore, additional profit.

14 Following his laying out of this transaction, we  
15 then reverse the document and everybody went off to have  
16 lunch and the attorney and I busily worked at rewriting the  
17 document to create the entity, Triwest International, and  
18 from the joint venture which the document contemplated.  
19 Then we even went so far as to prepare the Preliminary Memo  
20 where Mr. Shahbazi would use the money to visit and then  
21 Triwest would use the money to Mr. Shahbazi, and we had  
22 other documents that were involved.

23 Q All right. Let me interrupt you. The attorney  
24 you're referring to is Mr. Hoy?

25 A Yes, Graham P. Hoy.

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1 2 Another question. You're referring to the joint  
3 venture as Trivert in the subsequent agreement. The man in  
4 the bar that you have indicated as the joint venture--  
5 Mr. Chakheppi has a different name. Do you know what that  
6 name is?

7 A Mr. Bell, he referred to some valoids. I thought  
8 he used the word darrest, the name darrest.

9 Q Okay.

10 A Not the Trivert name, actually what happened at the  
11 top where "TIP" is, he got a bar and he put an "r" in it and  
12 that was going to be the joint venture. The point he made  
13 was that Triad International Marketing had the agreement but  
14 because of this financing, that Trivert would have it. He  
15 so Trivert took the place of Triad International Marketing.  
16 Is my understanding of this document.

17 Q That is, Triad and "green" is that the derivation?

18 A Yes, that's how they came up with the name.

19 Q Now, the bar with the "r" in it--

20 A Yes.

21 Q Did he say anything to indicate who that person or  
22 entity was?

23 A No, it was the source--and I'm not sure whether it  
24 was one source or several sources--that's just--the weapons  
25 were going to come from "r".

26 Q Okay. Now, did he ever mention the involvement of

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United States - Central Bureau Report

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1 the Israeli government or Israeli citizens?

2 A Not in my presence. I have no idea what he said to  
3 Mr. Miller separately here and in my presence.

4 Q Was Mr. Miller Chakheppi the only individual that he  
5 specifically named as being involved in the transactions?

6 A Yes, sir. He referred to his associates two or  
7 three times. He said, "These are my associates," and when he  
8 wrote PORT down, he said some name but I can't recall what  
9 it was.

10 Q Now, at these meetings in the Cayman Islands or at  
11 any future time, did he indicate the identification of any other  
12 individuals involved in the same transactions?

13 A Not to me.

14 Q Did he ever indicate the involvement of United  
15 States government officials?

16 A Not that I recall.

17 Q Did he ever make mention of involvement of a  
18 Mr. McFarland or Reidmaster or Borch?

19 A Not in my presence that I can recall.

20 Q So, as far as you know, there was an arms  
21 transaction to Iran but you did not know the source or the  
22 was involved other than Mr. Chakheppi Chakheppi?

23 A That is correct, but it was not just a transaction.  
24 There were to be a series of transactions and Mr. Chakheppi  
25 told me that he hoped in the future there would be

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United States - Central Bureau Report

Senator KERRY. And these appear to us on the committee, given their date, to be transactions relating to the Iran-Contra affair, which the FBI discussed with you.

I'd also like to enter into the record supporting these second through fourth documents two pages of an unclassified deposition from the Iran-Contra hearings of Emanuel A. Floor on June 8, 1987, regarding Adnan Khashoggi's assistance to the U.S. Government in the Iranian arms deal, and I'd just quickly read into the record a couple of excerpts from this document.

According to Floor's testimony under oath: "Khashoggi said that the money, the \$10 million, would go into a joint venture. In other words, \$10 million in Credit Suisse goes into this venture, the venture buys the arms, the arms are shipped to Iran. Iran pays for the arms, except when the money came back through it's \$11 million and there was to be a profit. Part of the profit was to go to Triad International Marketing"—which is mentioned in the original document here—"and part of the profit was to go to others, including something he described as BCCI."

So we have part of the profit of Iran-Contra, according to this and testimony in the Iran-Contra hearings, going to BCCI.

To continue, Mr. Floor was then questioned by the Iran-Contra counsel, who asked him: "Was Manuchar Ghorbanifar the only individual that Adnan Khashoggi specifically named as being involved in this transaction?"

Answer: "Yes, sir. He referred to his associates two or three times. He said: "These are my associates, and when we wrote BCC down he said some name, but I can't recall what it was."

So it's obvious, it seems to us from these documents and from your testimony as well as this earlier testimony, that BCCI indeed was party to financial transactions involving the Iran-Contra scheme.

And the question is why the United States chose BCCI for this super-secret covert action at a time when the CIA already knew that BCCI was a criminal enterprise and had notified people, after Senator Hawkins had raised the issue publicly, and it's clear that the CIA had previously made its own determination as to that criminal undertaking and it also knew—and BCCI, it is obvious, knew because of the way it set this up that the CIA or someone was engaged in a secret arms deal to Iran, as it was handling the financing therefor.

So the only people who didn't know about either BCCI's secrets or the CIA's and NSC's secrets were the U.S. Congress and the American people and the people who didn't do anything about it when they had the knowledge.

Now, this is obviously a beginning, but the CIA is due to testify here on Friday and I'd be interested to hear, we will be interested to hear, what their response is with respect to these transactions.

Is that an accurate picture of what was going on, Mr. Sakhia?

Mr. SAKHIA. Well, as you describe it, yes, when you put all the things in one, all the pieces in one puzzle.

Senator KERRY. Well, you had questions at the time. I mean, you couldn't understand why someone with a \$100,000 payoff was staying, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. You thought they ought to be out?

Mr. SAKHIA. Yes, sir.

Senator KERRY. London wanted them to stay.

Mr. SAKHIA. London—they stayed through until the time I left. That officer was still in the bank.

Senator KERRY. And you specifically reached an agreement to cooperate in helping to provide these links, providing BCCI was kept out of the public, is that correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. So BCCI was kept out of the public by a U.S. Government agency.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Which could have revealed at that time that somebody had taken a bribe.

Mr. SAKHIA. Yes, sir.

Senator KERRY. So somebody had an interest in keeping that out of the news.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now let me come back to the Noriega accounts for a minute, because I'm concerned. You knew that Amjad Awan in Florida had a relationship with Noriega in the early eighties, correct?

Mr. SAKHIA. Sir, let me back up a little. Amjad Awan was the manager of BCCI in Panama until about 1984. He then moved to Washington. He continued to be the relationship officer for Noriega account.

In 1987 he moved to Florida after I had moved to New York. So Amjad Awan never worked with me directly.

Senator KERRY. I understand that. But there were records in U.S. banks of transactions in the BCCI family.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Which was transacting Noriega's account. There were records of his financial transactions, were there not?

Mr. SAKHIA. Well, because the transactions were not booked or the relationship was not with any of the U.S. offices of BCC or BCC group, but Amjad Awan maintained the files of that relationship, whether that relationship was in London or in Panama.

Senator KERRY. Where were the files kept?

Mr. SAKHIA. Well, at two locations: where the relationship existed, like in London; and with Amjad Awan. When he was in Amjad Awan, he had it in Washington. When he went back to Miami, he took that with him to Miami.

Senator KERRY. And at some time were those files shipped out of the United States?

Mr. SAKHIA. I believe so.

Senator KERRY. When were they shipped out?

Mr. SAKHIA. After the Noriega case came to the Senate and when the Senate subpoenaed Mr. Awan and Mr. Shafi.

Senator KERRY. So this committee issued a subpoena, correct?

Mr. SAKHIA. Now I understand, yes.

Senator KERRY. And those records, it is your understanding, were shipped out subsequent to the Senate committee's subpoena.

Mr. SAKHIA. That is my understanding.

Senator KERRY. How do you come to understand that?



Mr. SAKHIA. Well, in mid-1988, I think it was July 1988, I was visiting San Francisco. Mr. Rizvi called me in my hotel on a weekend and he said: Mr. Amjad Awan has resigned from BCCI and he is not communicating with anyone, he is sort of gone, and we would like to explain to him that we are his family, he should not leave.

And I said: What happened. And he said: There was some subpoenas from the U.S. Government and we have been advised that he should be transferred out of United States. We were transferring him to Paris, but Amjad Awan——

Senator KERRY. Let me just slow this down a little. Amjad Awan was advised that he should be transferred?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Was this subsequent to the U.S. Senate committee having subpoenaed him?

Mr. SAKHIA. Yes, sir.

Senator KERRY. So he was under subpoena to the committee?

Mr. SAKHIA. I do not know whether the subpoena had been served on him. I think, again with hindsight, there had been some mistake, that somebody else was served the subpoena meant for Amjad Awan, so it had not been handed to him. But he was going to be subpoenaed by the U.S. Senate. I think something of that had happened.

Senator KERRY. And who advised him to clear out of the United States?

Mr. SAKHIA. Well, according to Amjad Awan and Mr. Rizvi, they had an advice from the BCC counsel, which was Mr. Altman, that they had a meeting in London and that Amjad Awan should be transferred out of United States and Mr. S.M. Shafi should not go back to United States.

Now, from middle of 1988 all the way to middle of 1990 Mr. Shafi never returned to United States. I don't know if he did afterwards, but he did not. And Amjad Awan came here.

Senator KERRY. Now, what I would like to do is I'm going to come back to that this afternoon and to the whole series of events that took place subsequent to the indictment and some of the relationships thereafter.

But I'd like to go back, if I may, now and fill in some of the gaps with respect to the relationship you were talking about earlier. BCCI developed an external marketing plan, is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And the external marketing plan was an effort to take surplus staff in any one territory and have them market for the rest of BCCI's services, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Essentially, you were marketing three products.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Deposits of nonresidents of Pakistan, India, and Bangladesh.

Mr. SAKHIA. Right, sir.

Senator KERRY. You were marketing for dollar deposits for off-shore centers, like the Caymans, Luxembourg, et cetera.

Mr. SAKHIA. Yes, sir.

Senator KERRY. You were trying to find people who wanted to dump their money out there.

Mr. SAKHIA. Right.

Senator KERRY. And the third was offering correspondent banking services around the world, is that correct, because you had a global network?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now, the question I suppose, if Mr. Clifford or Mr. Altman were here or anybody else representing the bank, they would say: Well, you know, we had a correspondent relationship. We were a bank that was interested in, obviously, getting deposits. We wanted to grow. Here was a bank that was working in the United States. We had a relationship because we knew Mr. Abedi, Mr. Abedi was the advisor to the investors, and we were obviously going to take advantage of that relationship in an effort to grow and to be a good bank.

Mr. SAKHIA. Sir, I think you've interrelated two different things, marketing for First American and external marketing program. External marketing program was exclusively by BCCI for BCCI. First American was not part of this scenario.

Senator KERRY. OK, they played no role in the external marketing?

Mr. SAKHIA. No, sir.

Senator KERRY. OK.

Mr. SAKHIA. This was, there were three essential products. There were generally other products, but these are three prime products: marketing to Pakistanis, Indians, and Bengalis for opening hard currency accounts in their home countries; two, marketing for dollar deposits for BCCI generally, with particular reference to the offshore centers; and the third was marketing the global BCC network with the banks.

Now, back to front, the correspondent banking is a very legitimate product and BCCI had something to offer, so there was no problem in that territory.

In the area of marketing for offshore deposits, in countries like Middle East and Hong Kong where there are no controls or no regulations preventing or no tax implications, again this is a legitimate product. But marketing this product in countries either where there is an exchange control, it's illegal; in countries where there is an income tax, like U.S., Canada, Britain, again this is difficult because a customer may use the bank to avoid taxes in the country where they were living.

So we had a major concern in the United States, and I have subsequently been shown documents by Federal Reserve—when I had told them for a year that I had been opposing them, they were suspicious of it, but now they have independent documents—to say that I had stopped this practice in United States, that we would not market the nonresident deposits and the U.S. dollar deposits.

My concern was that overzealous staff, who by their nature were redundant in this office, to make their mark by bringing in more deposits will make any type of commitments, and this would land bank in trouble.

Senator KERRY. So basically, the bank engaged in a major marketing program to assist people to avoid taxes?

Mr. SAKHIA. The bank did not announce it as such, but anyone who wanted to avoid—

Senator KERRY. I can well understand that they wouldn't. But they engaged in it, they entered into it. I mean, that was the effort. And you understood it as that, because you fought it, didn't you?

Mr. SAKHIA. Yes. Well, I understood that the overzealous officers, to protect their jobs, would go and make any type of commitments, even though the bank wouldn't, the policy, the senior management policy, would not announce it, but they would engage in it. And then whenever the law enforcement comes, it's not these young officers but people like me who get into trouble.

Mr. SCHNAPP. Senator, perhaps I can clarify a point, if I might.

Senator KERRY. I think it's clear.

Mr. SCHNAPP. I think Mr. Sakhia is saying that the danger of the program inherently lent itself to people soliciting depositors who wanted to avoid U.S. taxes and also soliciting foreign deposits of people who might be engaging in illegal transactions.

Senator KERRY. There's no secret that that's what that kind of bank does. I mean, this isn't some dainty process. The Cayman Islands, Luxembourg, Hong Kong are among the leading harbors for hiding money. I mean, everybody knows it. Everybody in the international banking world knows it, and they all compete for it.

Isn't that a fact?

Mr. SAKHIA. All banks do it.

Senator KERRY. Sure. So you guys were going to get into the game.

Mr. SAKHIA. Except in the case of many money center banks, Swiss banks and big Luxembourg banks, it's done very discretely, in a very sophisticated way. In BCCI we were recruiting a thousand-plus people into this business.

Senator KERRY. Now, the fact that you have said that the external marketing plan was separate from the coordinating committee United States expansion plan—

Mr. SAKHIA. Yes, sir.

Senator KERRY [continuing.] Might be argued by a Mr. Clifford or Mr. Altman or others on their behalf and say: Well, precisely; they were off doing their own thing and we had this correspondent relationship here in the United States, and that was our interest, growth within the banking community where we operated.

Mr. SAKHIA. Sir, I elaborated earlier on the type of joint efforts for First American. BCCI officers marketing—

Senator KERRY. Now let's go into that a little bit, because I want to try to explore that and understand it better, and that will enable us as a committee, obviously, to ask more intelligent questions of them when they appear here.

Now, you had a coordinating committee for the United States.

Mr. SAKHIA. Yes, sir.

Senator KERRY. How did the coordinating committee come to exist?

Mr. SAKHIA. Mr. Abedi set up this committee.

Senator KERRY. When did he set it up?

Mr. SAKHIA. I think in early 1984.

Senator KERRY. Who was in charge of this committee?

Mr. SAKHIA. Well, he himself was in charge, but I was the coordinator in the United States.

Senator KERRY. You were the United States coordinator.

Mr. SAKHIA. Yes. I would send out the agenda for the meeting, I would arrange for the hotels, I would arrange for the meetings.

Senator KERRY. And as the coordinator, as the person who managed this committee, you understood it to be a coordination of all the banks in the United States under the BCCI umbrella?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Was strategy discussed for all those banks at these meetings?

Mr. SAKHIA. Marketing and products.

Senator KERRY. Marketing and products. Now, was marketing for the First American Bank included in these coordinating meetings?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Did you create documents at the time which substantiate the nature of these meetings?

Mr. SAKHIA. Well, each of the meetings was recorded. What we call recorded would be in our term called "minuted." And the minutes were circulated to all the participants and all their superiors.

Senator KERRY. I ask you again the question, was marketing for First American Bank included in those meetings?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Was marketing for the National Bank of Georgia included in those meetings?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And were documents prepared with respect to both of those entities during those meetings or after the meetings?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now, let me have a document put in front of the witness, if we may.

This is a document, Mr. Sakhia, which I think you've previously identified to us as minutes of the meeting of the U.S. coordination committee held on April 24, 1985, in New York.

Mr. SAKHIA. Yes, sir, this is one of the examples, but every meeting—

Senator KERRY. This is just an example. There are reams of documents, but this is one example; is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. There were ten people in attendance, correct?

Mr. SAKHIA. In this particular meeting, yes.

Senator KERRY. And among those ten was a Mr. Khusro Karamat Elley, is that right?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Who was Mr. Elley?

Mr. SAKHIA. Mr. Elley was at that time with First American Bank in New York.

Senator KERRY. What was his role with First American in New York?

Mr. SAKHIA. I think he was looking after the administration, administration side of the bank. He was not on the business side of the bank, as I recall, at that time. He moved to various positions in that bank.

Senator KERRY. Mr. Tariq Jamil was also at the meeting?

Mr. SAKHIA. Yes, he was. Tariq Jamil was de facto the chief operating officer of National Bank of Georgia.

Senator, I want to clarify again on the marketing aspect of BCC and First American. There was a plan within BCCI to market for First American. The international division, based in London, marketed for correspondent relationships for BCC group, including First American. So not only the branches of BCCI worldwide sent business to First American, but BCCI correspondents also were sending business to First American.

Similarly, the deposits of U.S. residents or U.S. corporations that we could not take in BCCI branches because of the agency status we would market to First American.

Senator KERRY. Who profited from that?

Mr. SAKHIA. Well, we were parking—we were giving profits to First American.

Senator KERRY. You were parking

Mr. SAKHIA. We were giving profits to First American.

Senator KERRY. You were giving profits to First American?

Mr. SAKHIA. Because the overhead, the marketing overhead, was absorbed by BCCI, the profit that was made was made in First American. But it was coming back to us because it was one and the same thing.

Senator KERRY. How was it coming back to you?

Mr. SAKHIA. Because First American was owned by BCCI.

Senator KERRY. So they didn't mind giving all this business to First American, even though they might have found a way to get it themselves, because they considered it to be giving it to themselves?

Mr. SAKHIA. Yes, sir.

Senator KERRY. This is the brother-brother-father relationship?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now, in this memoranda, in this minutes of the meeting, it cites individual presentations that were made, and one of the presentations was, under the heading of "individual presentations, it says, the purpose: "To update each member of the operations of different units, it was agreed to discuss briefly the size and volume of each location's business," correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And the first business to report was National Bank of Georgia, which supposedly was owned by Gaith Pharaon.

Mr. SAKHIA. Yes, sir.

Senator KERRY. But in fact you're saying was owned by BCCI, which is why they were giving a report on their deposits, assets, profits, and advances.

Mr. SAKHIA. Right, sir. This is an example of the question you were asking, that it was a pure, arm's length correspondent bank relationship. Now, Bank of America or Security Pacific did not come to meetings with these kind of figures.

Senator KERRY. So these were the only banks with whom BCCI had a relationship in the United States of a "correspondent" nature, these were the only banks that came to meetings like this?

Mr. SAKHIA. Yes, sir.

Senator KERRY. National Bank of Georgia and First American, among others?

Mr. SAKHIA. Right.

Senator KERRY. And the others were exclusively the BCC's, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. BCC Canada, the New York agency, the Miami, the Latin American region, San Francisco, Los Angeles. And then again, we have First American Bank of New York.

Mr. SAKHIA. Right, sir.

Senator KERRY. Mr. Elley gave a background of the history of First American Bankshares Group, especially New York, describing the role of the investors and how the emphasis was on developing New York. And then he goes into a full range of services that the bank provides.

Is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now, let me ask you a question, looking at that. Why would he feel it necessary, if you say this is around 1984, 1985, why is it such a primer, in a sense? Why is he saying the main focus—"he described that in addition to providing a full range of services from New York, the main focus would be on creating a powerful international division and a very strong money market," and so forth.

I mean, he seems to be saying some pretty basic stuff to a group of people whom you say already knew that the bank was owned.

Mr. SAKHIA. Sir, this was the first meeting, if you see the route—

Senator KERRY. This isn't the first time, according to you, that they were coordinating.

Mr. SAKHIA. No, but this meeting of the coordination committee, some of the people were attending for the first time. Like Mr. Munshi, Mr. Paruey, Mr. Rizvi, these are first-time participants into this meeting.

Senator KERRY. At this kind of meeting?

Mr. SAKHIA. In this kind of a meeting.

Senator KERRY. How did this meeting come about?

Mr. SAKHIA. Mr. Abedi had asked us to set up this committee and asked us to meet regularly, and after the first meeting we met almost every month at different locations, in New York, Miami, Washington, mostly on the East Coast because of the convenience.

Now, besides the meeting in this forum, every time BCCI had a quarterly conference in London where everybody from all over the world would participate, there would be a follow-up meeting of the people from different regions, and again a similar meeting would be presided by Mr. Abedi or Siddiki of the U.S.-based staff.

Senator KERRY. A subsequent set of minutes—I'm going to let the minutes basically speak for themselves, but I just want to flag a couple of things. The next set, the meeting was June 2, 1985, and the meeting was in Miami this time, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Again, at this meeting Mr. Elley was present, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And, representing National Bank of Georgia, Mr. Tariq Jamil again. BCCI Washington was represented. First American was represented by both Mr. Afridi and Mr. Elley, accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now, it says here the purpose of the coordination desk was: "To coordinate inter-regional marketing."

Mr. SAKHIA. Yes, sir.

Senator KERRY. "To provide protocol and courtesy to customers from other areas."

Mr. SAKHIA. Yes, sir.

Senator KERRY. "To make referral of customers and potential clients visiting other locations,"

"To exchange information on prospects and potential business"?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Is there anything in those four items that banks couldn't get together on and exchange or involve themselves in legally?

Mr. SAKHIA. No. You are competing with the other institutions. You don't introduce your customer, unless you are not in that market. For example, if a customer of a bank was going to Singapore, where BCC did not have a presence, then we would introduce that person to our correspondent to provide protocol assistance or to provide the courtesies, a consular sort of a letter.

But here we are asking to take care of our customers and to introduce the business to each other.

Senator KERRY. Had you ever had that kind of relationship in your banking history with any bank that you didn't own or have an interest in?

Mr. SAKHIA. No, sir.

Senator KERRY. Now, another document I have here is a letter written by you to Mr. Afridi at First American.

Mr. SAKHIA. Yes, sir.

Senator KERRY. And this is a letter dated March 23, 1984.

Mr. SAKHIA. Right, sir.

Senator KERRY. In which you are basically setting out instructions for what First American has to do to comply with a certain procedure, is that accurate? Are you familiar with this letter? This is the Castle Investment Group, Fort Lauderdale, Florida.

Mr. SAKHIA. Right. We had marketed for business and we are now telling First American how to handle this business, what to do, what procedure to follow. We're not only marketing the bank, we are telling them step by step how they are to run it.

Senator KERRY. So you actually gave them point by point instructions as to what to do with the business that you gave them?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Managing the business that you gave them, in addition to managing the bank relationship.

Mr. SAKHIA. Yes, sir.

Senator KERRY. And again, how did you know that you would accrue any benefit from that? What was BCCI going to get out of that?

Mr. SAKHIA. Well again, sir, I said that BCCI and First American was one and the same entity.

Senator KERRY. What did First American refer or do for BCCI?

These documents, incidentally, will be placed in the record in sequence and marked accordingly.

[The information referred to follows:]



**BANK OF CREDIT AND COMMERCE INTERNATIONAL**

(OVERSEAS LIMITED)

1200 BRICKELL AVENUE MIAMI FLORIDA 33131 U.S.A.

23rd March, 1984

Mr. A. Afridi  
 First American Bank  
 350 Park Avenue  
 New York, N.Y. 10022

Dear *A. Afridi*,

Subject: Castle Investment Group  
Fort Lauderdale, Florida

This has reference to our teleconversation of this morning.

The Modus Operandi for handling deposits for the above group would be as follows:

- (1) First American Bank would have to print contract forms in triplicate along the lines suggested by the above group, photocopies of which are enclosed.
- (2) These forms would have to be protectographed, signed and kept in safe custody at our Boca Raton Branch in Florida.
- (3) Each depositor would complete and sign the requisite forms printed by your office at the time their cheque is handed over to the BCC representative.
- (4) The BCC Representative would hand over to the depositor the original copy of the printed specified form (Item I); the second copy of which would be forwarded in batch to your office the following day by our Boca Raton office; the third copy would be retained by our Boca Raton office as their office copy.
- (5) On receipt of your copies of the printed specified form, First American Bank should issue in due course (within ten (10) working days) a comprehensive list of the depositors along the lines of the enclosed draft (Item II). This list should be sent to our Boca Raton Office for handing over to the representatives of the Castle Investment Group. This list would also be utilised for the issuance of the usual income tax certifications.

Cont'd. .../2

Mr. A. Afridi

- 2 -

23rd March, 1984

- (6) All deposits would be for a period of 182 days. On maturity the BCC representative would have to hand over to the depositors two individual cheques representing principal amounts and accrued interest. The depositor would then have the choice of either reinvesting, adding to or not renewing.
- (7) BCC Boca Raton will contact your dealer three working days prior to the date of maturity to obtain a quote on amounts for the next 182 days.
- (8) To facilitate smooth operation of these transactions First American Bank, New York should open an account with BCC Boca Raton.
- (9) The rates of interest and investment of funds will be as per our discussions on telephone.
- (10) The first maturity of the Group (US\$5million) falls due on April 5, 1984; so your urgent attention in finalizing these arrangements and the necessary printing is kindly requested.

If you have any queries or counter suggestions please do not hesitate to contact me or Mr. Basu. I hope the above will be agreeable to you and will prove to be of mutual benefit to our two institutions.

Kind regards,



A. R. Sakhia



## AGREEMENT

ACCOUNT NUMBER
02-1214-6-16-17-18-19-20
DATE OF ISSUE
January 26, 1984

THE UNDERSIGNED AGREE(S) TO PARTICIPATE IN A GROUP ORGANIZED FOR THE SOLE PURPOSE OF MAKING DEPOSITS (\$2,500.00 MINIMUM) INTO A SAVINGS CERTIFICATE OF COMMONWEALTH SAVINGS AND LOAN ASSOCIATION UNDER THE FOLLOWING CONDITIONS:

1. THE CERTIFICATE (THE "CERTIFICATE") SHALL REMAIN INTACT UNTIL THE DAY OF ITS MATURITY AND NO INDIVIDUAL PARTICIPANT MAY WITHDRAW ANY PORTION OF THE SAVINGS OR INTEREST THEREON UNTIL THE CERTIFICATE MATURES. COMMONWEALTH SAVINGS AND LOAN ASSOCIATION OF FLORIDA SHALL NOT BE REQUIRED TO RECOGNIZE ANY TEMPT AT ASSIGNMENT, PLEDGE OR ENCUMBRANCE OF THE UNDERSIGNED'S INTEREST IN THE CERTIFICATE.

2. THE CERTIFICATE WILL BE ISSUED IN THE NAME OF Castle Investment Group. NOMINEES ARE Joseph Alper, David Mendes, Irving Ellishewitz & Bert Davidson (2 out of 4 signatures required for withdrawal)

3. COMMONWEALTH SAVINGS AND LOAN ASSOCIATION IS AUTHORIZED TO ACT UPON THE WRITTEN REQUEST OF ALL OF THE NOMINEES.

4. EACH PARTICIPANT'S BENEFICIARIES INTEREST IN THE ACCOUNT IS TO BE INSURED BY THE SLIC WHICH INSURES THE AMOUNT OF THEIR INVESTMENT UP TO \$100,000 EXCEPT FOR THOSE WHO HAVE OTHER ACCOUNTS IN COMMONWEALTH SAVINGS AND LOAN ASSOCIATION WHICH BRING THE TOTAL INVESTMENT TO OVER \$100,000.

5. IF UNDERSIGNED WISHES TO DEPOSIT THE SUM OF \$10,300 WHICH WILL BE DEPOSITED IN THE CERTIFICATE OF COMMONWEALTH SAVINGS AND LOAN ASSOCIATION OF FLORIDA, UPON MATURITY THE FOREGOING AMOUNT AND A PRO RATA PORTION OF INTEREST WILL BE PAID TO THE UNDERSIGNED.

TE \$10,300 % SIMPLE INTEREST MATURITY DATE: July 26, 1984 (182 Days)

AE (Please Print) \_\_\_\_\_

AE (Please Print) \_\_\_\_\_

N TRUST FOR \_\_\_\_\_

SIGNATURE

SIGNATURE

( ) I certify, under penalty of perjury, that the information provided herein is true and correct.

( ) I certify, under penalty of perjury, that the information provided herein is true and correct.



FOR ASSOCIATION USE ONLY

UNIT VERIFIED BY:

DATE:

ED BY: Josephine Malfo, Savings Manager

DATE: 1-26-84

ITEM - II  
COMMONWEALTH SAVINGS AND LOAN ASSOCIATION  
7118 NORTH UNIVERSITY DRIVE  
TAMARAC, FLORIDA 33321  
(305) 979-0500

CONDO NAME: CASTLE INVESTMENT #10/6 ACCOUNT # 04-1840-5-20-21-22-23-24 OPENED 10-6-83  
MATURING 4-5-84 AMOUNT \$4,953,653.24 TOTAL INTEREST \$271,704.48 RATE 11.000%

Samuel & Eleanor Aarons 4851 N.W. 21 Street #102 Lauderhill, FL 33313	733-5675	012-12-1066	11,000.00	.1100	365	182	603.34
Anna or Marshall Adelstein 2251 N.W. 48 Terrace Lauderhill, FL 33313	735-3098	087-34-3171A	21,309.60	.1100	365	182	1,168.82
Claire Adler 4751 N.W. 21 Street Lauderhill, FL 33313	735-0840	096-38-5316	15,000.00	.1100	365	182	822.74
Benjamin Alexander Elizabeth Alexander 5801 N.W. 82 Avenue Tamarac, FL 33321	721-5327	101-10-1019	8,000.00	.1100	365	182	438.79
Sylvia Allen Jody Sweetapple 177 Jody Sweetapple 2060 N.W. 48 Terrace Lauderhill, FL 33313	484-4546	554-68-6086	8,500.00	.1100	365	182	466.22
Joseph or Ethel Alper 4740 N.W. 21 Street #406 Lauderhill, FL 33313	739-9869	081-10-6753	25,000.00	.1100	365	182	1,371.23
Albert or Evelyn Alter I.T.F. Sandy Alter, Jack Alter, Roberta Hettman 4851 N.W. 21 Street Lauderhill, FL 33313	735-7111	092-05-4930	25,961.55	.1100	365	182	1,423.97
Helen Appel 2291 N.W. 48 Terrace Lauderhill, FL 33313	739-1747	067-38-0184	10,000.00	.1100	365	182	548.49
Lillian Arner 2291 N.W. 48 Terrace Lauderhill, FL 33313	484-4047	123-10-4364	75,081.52	.1100	365	182	4,118.17
or Sylvia Ascher 6350 N.W. 52 Street Tamarac, FL 33319	721-4313	084-07-4650	3,893.29	.1100	365	182	213.54

Mr. A. Afridi  
First American Bank  
New York, N.Y.

350 PARK AVE  
N.Y. N.Y. 10022

Dear Afridi Saheb,

Sub: Castle Investment Group  
Fort Lauderdale, Florida

This has reference to our teleconversation of this morning.

The ~~above~~ <sup>above</sup> ~~group~~ <sup>group</sup> would be as follows:

(1) First American Bank would have to ~~present~~ <sup>PRINT</sup> contract ~~forms~~ in triplicate along the ~~forms~~ <sup>forms</sup> suggested by the above ~~forms~~, photocopies of which are enclosed.

(2) these ~~forms~~ <sup>forms</sup> would have to be ~~photograph~~ <sup>photocopy</sup> signed and kept in safe custody at our Boca Raton Branch in Florida.

(3) Each depositor would complete and sign the requisite forms printed by your office at the time their cheque is handed over to the BCC representative.

(4) The BCC Representative would hand over to the depositor the original copy of the ~~provided specific~~ <sup>provided specific</sup> form; the second copy of ~~the provided specific form~~ <sup>the provided specific form</sup> would be forwarded in ~~copy~~ <sup>copy</sup> to your office the following day by our Boca Raton office; the third copy ~~of the specific provided form~~ <sup>of the specific provided form</sup> would be retained by our Boca Raton office as their ~~second~~ <sup>second</sup> copy.

(5) On receipt of your copies of the ~~provided specific~~ <sup>provided specific</sup> form, First American Bank ~~would~~ <sup>would</sup> ~~leave~~ <sup>leave</sup> in due course (within 10 working days). A comprehensive ~~list~~ <sup>list</sup> of the depositors along the lines of the enclosed ~~copy~~ <sup>copy</sup>. This list should be sent to our Boca Raton office for handing over to the representative of the Castle Investment Group. This list would also be utilised for the issuance of the usual income tax certifications.

(6) All deposits would be for a period of 182 days. On ~~the~~ <sup>the</sup> maturity the BCC representative would have to hand over ~~two~~ <sup>two</sup> individual cheques representing ~~residual~~ <sup>residual</sup> amounts and accrued interest. The depositor would then have the choice of either reinvesting, adding to or not ~~participating~~ <sup>renewing</sup>.

(7) BCC Boca Raton will contact your dealer three working days prior to the date of maturity to obtain a quote on amounts for the next 182 days.

(8) To facilitate smooth operation of these transactions First American Bank, New York should open an account with BCC Boca Raton.

(9) The rates of interest and Investment of funds will be as per our discussions on telephone.

(11) If you have any queries *or counter suggestions* please do not hesitate to contact *me*.  
I hope the above will be agreeable to you and will prove to be of *mutual* benefit to our two institutions.

Best regards.

A. R. Sakhia

*h Basu* (10) The first maturity of the group (US\$ 5 million) falls due on April 5 1984, so your urgent attention in finalizing these arrangements & the necessary printing is kindly requested.

Mr. A. Aprido  
First American Bank

Dear Aprido Sales

Re: - Cattle Investment Group  
For Landersdale  
Florida

This has reference to our teleconversation of this morning.

The various operands for handling deposits for the above group would be as follows:

(1) First American Bank would have to print contract forms in triplicate along the lines suggested by the above group, photocopies of which are enclosed.

(2) These forms would have to be photostated, photostated signed and kept in safe custody at our Boca Raton branch in Florida.

(3) Each depositor would complete and sign the requisite forms printed by your office at the time their cheque is handed over to the BCB representative.

- (4) The Bee Representative would on receipt of the hand over to the Depositor the original copy of the printed assigned form; the second copy of the printed assigned form would be forwarded in letters to your Office the following day by our Boca Raton Office; the third copy of the assigned printed form would be retained by our Boca Raton Office as the second copy.
- (5) On receipt of your copies of the printed assigned form, First American Bank would serve in due course (within 10 working days) a comprehensive list of the depositors along the lines of the enclosed copy. This list should be sent to our Boca Raton office for handing over to the representatives of the Creditors' Committee Group. This list would also be utilized for the purposes of the usual income tax certification.
- (6) All deposits would be for a period of 182 days. On maturity, the Bee Representative would have to hand over two individual checks representing principal amounts and accrued interest. The depositor would then have the choice of either reinvesting, adding to or not participating.
- (7) Bee Boca Raton will contact your dealer three working days prior to the date of maturity.



to obtain a quote on amounts for the next  
182 days.

B) To facilitate smooth operation of these  
transactions, 1st American Bank, New York should  
open an account with BIR Roca Salas.

f9) The nature of interest & commissions of funds will be  
a per cent discount on telephone  
If you are have any queries, please do  
not hesitate to contact us here. I hope the  
above will be agreeable to you & will be a great  
to be of help to our two institutions.  
Kind regards

A. L. Lantieri



**BANK OF CREDIT AND COMMERCE INTERNATIONAL**  
(OVERSEAS) LIMITED  
1200 BRICKELL AVENUE MIAMI, FLORIDA 33131 U.S.A.





## MEMORANDUM


FROM: Manager  
LOCATION: BCCI Miami  
DATE: June 10, 1985  
REF:  
SUBJECT: Participations sold to First American Bank.

TO: Mr. Amber Yunus  
LOCATION: Regional Office

Enclosed please find a memo addressed to me from the Agencies Advances Department which is self explanatory.

Your guidance in this respect will be highly appreciated.

Regards,

  
Hassan Parvez

HP/eb



## MEMORANDUM

FROM: Advances Department

TO: Mr. Hassan Parvez

LOCATION: Miami Agency

LOCATION: Miami Agency

DATE: June 6, 1985

REF:

SUBJECT: Participations sold to First American Bank

On May 15th the following loans in our IBF books were participated to First American Bank.

<u>Loan No.</u>	<u>Amount</u>
14001060	US\$ 142,976.00
14000229	377,968.61
14000263	360,331.85
14000218	1,000,991.69
14000296	522,674.75
14001253	242,947.50
14001399	250,000.00
14001388	100,498.31
14001071	698,243.68
14001264	267,398.82

Upon receipt of funds by our Agency which were received at the Federal Reserve Bank, the following entries were passed.

All the above mentioned loans were paid in IBF and new loans were opened in Miami as follows:

AssetsLiabilityBOJ/Participation

Sundry Creditor  
First American Bank  
Participation.

The loans are accruing at 10.875% which represents the rate of interest being paid by BOJ to BOCI. In turn we have sold these loans at "Prime Rate" leaving a 7/8% spread for us.

Due to the lack of accounts in our General Ledger for these purposes, we have to pass the interest expense payable to F.A.B. manually every month, because the income (10 7/8%) being accrued in the loans is automatically taken into

income by the computer. This interest expense account is being shown under "Miscellaneous" interest expense participation.

Given the amount of work involved and the number of manual entries to be passed every month, the chances for mistakes and misrepresentation in our statement of affairs increases.

I would appreciate if you can find an easier and more accurate way to handle these entries.

Regards,

*Engracia M. Estalella*  
Engracia M. Estalella

R759

RX-8TW 1200 EDT 06/21/85

JUN 21 1985 1200  
#427464A FABNY UI

CANALPLACE NLN

JUNE 21, 1985  
NEW ORLEANS, LOUISIANATO: FIRST AMERICAN BANK  
FOR THE KIND ATTENTION OF  
MR. EJAZ AFRIDI

PLEASE DISCUSS AND PASS ON THIS MESSAGE TO MR. A. R. SAKHIA.

REQUIRE FIRST AMERICAN BANK TO ADD THEIR CONFIRMATION  
(JIN-IN) TO THE FOLLOWING STANDBY LETTER OF CREDIT WHICH IS  
ISSUED BY BOC TAMPA TO TRAVELERS INSURANCE.THE STANDBY LETTER OF CREDIT IS  
ISSUED BY BOC TAMPA AND IS VALID FOR ONE YEAR. THE LETTER  
OF CREDIT IS ENFORCEABLE UPON NON-PAYMENT OF INTEREST BY  
OFFERERS.THE CONFIRMATION CAN BE IN A FORM OF A LETTER TO BE ISSUED  
BY FIRST AMERICAN BANK STATING THAT IF BOC FOR ANY REASONS  
IS UNABLE TO PAY UNDER OUR REFERRED LETTER OF CREDIT, THAT  
FIRST AMERICAN BANK WOULD BE LIABLE AND MAKE PAYMENT.

EXT:

OUR IRREVOCABLE STANDBY LETTER OF CREDIT AS FOLLOWS:

IN FAVOR OF: THE TRAVELERS INSURANCE COMPANY

ON ACCOUNT OF: CANAL PLACE LIMITED PARTNERSHIP  
115 RUE IDERVILLE  
SUITE 700  
NEW ORLEANS, LOUISIANA 70130

UP TO THE AGGREGATE AMOUNT OF: U.S. DOLLARS 3,000,000.00

AVAILABLE BY DRAFTS \_\_\_\_\_ DRAFTS AT

AT SIGHT UNLESS OTHERWISE STATED

OUR OPTION. ON YOU OR ANY OF YOUR CORRESPONDENTS, WHEN  
ACCOMPANIED BY THE FOLLOWING DOCUMENTS

IS A DEFAULT UNDER THE AGREEMENT DATED DECEMBER 14, 1984.

THIS CREDIT MAY BE TRANSFERRED BY OUR ENDORSING THE ORIGINAL CREDIT SUBMITTED WITH YOUR REQUEST FOR TRANSFER.

UNLESS OTHERWISE SPECIFICALLY STATED, THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1983 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 400.

RAFTS MUST BE DRAWN AND PRESENTED NO LATER THAN JUNE 30, 1986.

NO TEXT.

IF YOU WISH TO DISCUSS THIS MATTER, I AM IN NEW ORLEANS, PHONE (504) 524-4676.

IND. REGARDS.

QDAL: ABHRAF

174540 FABNY UL

END VIA ITT

HEY DISC

lapsed time 00:00:14

PRINTED AT 1207 EST 01/21/85

*DMB*





**BANK OF CREDIT AND COMMERCE INTERNATIONAL**  
**SOCIETE ANONYME**  
**REPRESENTATIVE OFFICE**  
**1667 K STREET, NW, WASHINGTON, D.C. 20006**

September 3, 1987

Mr. M. Nasim Khan  
 Bank of Credit & Commerce Int'l  
 P.O. Box 410  
 52 Mudalige  
 Mawatha, Fort  
 Colombo 1, SRI LANKA

Dear Sir,

RE: PL-480 IMPORTS BY SRI LANKA

Ref. your telex dated 2-9-87 and letter dated August 24th, 1987, First American Bank on the request of Central Bank of Sri Lanka has quoted to them their rates for handling the L/C business. Copies of telex attached. This is for your information.

With regards,

Hassan Jafree

Encl;

cc: Mr. Y. H. Abedi  
 International Division  
 BCCI London

EL:ahk;

PHONE (202) 463-6915  
*Incorporated in Luxembourg*

TELEX 287622 BCCI UR      CABLES BANCRECOM  
*A Subsidiary of BCCI Holdings (Luxembourg) S.A.*

NY 0007093  
**CONFIDENTIAL**

7996495C 21AUG87 14:01 EST  
PTS

-BREAK-

-BREAK-

7996495C 21AUG87 14:01 EST  
PTS

/BATCH

/NTF

/WUW95421176(211);8216:0405+

TO: N. A. DHARMABANDU  
CHIEF ACCOUNTANT  
CENTRAL BANK OF SRILANKA  
COLOMBO, SRILANKA

FROM: KAYID SHAWISH  
VICE PRESIDENT  
FIRST AMERICAN BANK, NA

DATE: AUGUST 21, 1987

REF: PL-480 TRANSACTIONS, YEAR 1987-1988

THANK YOU FOR YOUR TELEX OF AUGUST 20, 1987. FIRST AMERICAN BANK WILL BE DELIGHTED TO HANDLE YOUR BANKING NEEDS RELATIVE TO THE PL-480 PROGRAM. OUR FEE FOR NEGOTIATING THE PL-480 LETTERS OF CREDIT WILL BE 1/45 OF 1% OR A MINIMUM OF \$100.00 PER PAYMENT. THERE WILL BE NO CHARGE FOR CONFIRMATION OF THE LETTERS OF CREDIT. WE WOULD ALSO LOOK FORWARD TO SOME ACCOUNT RELATIONSHIP TO FACILITATE THE HANDLING OF PAYMENTS.

ON JULY 29, 198 WE DELIVERED SIMILAR PROPOSAL TO HIS EXCELLENCY THE GOVERNOR OF THE CENTRAL BANK OF SRILANKA IN COLOMBO. WE LOOK FORWARD TO YOUR POSITIVE RESPONSE.

BEST REGARDS,  
KAYID SHAWISH  
VICE PRESIDENT

BEST REGARDS, KAYID SHAWISH, VICE PRESIDENT

MMMM

BATCH MESSAGE NUMBER 7996495C  
ACCEPTED 1 MESSAGE

EASYLINK

NY 0007094  
CONFIDENTIAL



*original filed in -*

FROM: Abdur R. Sakhia  
 LOCATION: Caribbean Regional Office  
 DATE: May 7, 1986  
 REF:  
 SUBJECT: - MIAMI NATIONAL BANK -

File  
 Mr. S. Naqvi  
 LONDON

*copy to Mr. Yunus*

Meeting with Messrs. Naqvi, Robert Altman and Shahid Jamil on Friday May 2nd 1986 at Luxembourg.

I have brief information regarding the size of the bank, salient feature of the financial statements, investment portfolio, loan losses, sovereign loans, etc.

- 1.- Bank had assets \$55,057m, Deposits \$50,287m, Net Loans of \$39,360m, Investments \$9,681m and Capital \$3,596m. However the owners would leave the bank with a capital of \$5 million and were asking \$6,500m.
- 2.- Bank had losses in the investment portfolio of \$640m, and requires a loan loss provision of \$ 2,010m (total including loss on investment \$ 2,650m ). The seller is reluctant to increase the provision beyond \$1,300m.
- 3.- Bank has South American sovereign risk of \$5,830m.
- 4.- Bank had cease and desist order from O.C.C. and the Chief Executive Officer has left. Bank was loosing approximately \$125,000 a month or \$1.5 million a year.
- 5.- Bank has three operating branches and our premises with a license available for opening. Locations were not the best.

I also emphasized the total absence of management and immediate need to put management in place as soon as acquisition is complete. Mr. Altman reemphasized the same point.

Under present market conditions, this was an excellent buy. As no other national bank of this size was available and premium of 1.3 times was extremely attractive.

Mr. Naqvi informed us the following:

- 1.- He would arrange for staff on urgent basis.
- 2.- We should find and recruit personnel also on urgent basis. He should arrange to interview someone at present with a U.S. Bank in Cayman and also Mr. Desouza, formerly of the Royal Bank of Canada.

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Page 008  
May 7, 1986  
Miami National Bank

- 3.- The purchase would be made by SH. Alfulaij.
- 4.- He would request Mr. Intiaz Ahmed to visit Miami the soonest.
- 5.- Mr. Altman will arrange power of attorney of SH. Alfulaij and also make sale purchase agreement.

Mr. Naqvi will arrange for certified net worth statement of SH. Alfulaij for Mr. Altman to file with acquisition application with the U.S. regulatory authorities.

*Intiaz Ahmed*

**MINUTES OF THE MEETING OF U.S. COORDINATION COMMITTEE****Held on April 24, 1985 in New York**

The following attended:

1. Mr. Aijaz Afridi
2. Mr. Raja Allahdad
3. Mr. Amjad Awan
4. Mr. Khusro Karamat Elley
5. Mr. Tariq Jamil
6. Mr. Shafiqur Rehman Khan
7. Mr. Sultan Mohiuddin
8. Mr. Dilip Munshi
9. Mr. Hasan Paruey
10. Mr. Musrat Rizvi

Mr. Louis Saubolle, Mr. S.W. Shafi and Mr. Sani Ahmed could not attend the meeting because of their other engagements.

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**Introduction**

It was the consensus of the meeting that the challenge facing the BCC Group in the U.S. was a unique one, since they had hitherto been mostly successful in developing countries. They were now embarked on establishing an equally successful business in the most advanced and most competitive country in the world.

The U.S. Market was described as information driven and information prone. As such, there would be a need for us to be up to date in our knowledge of this market and be fully informed about customer needs and trends. This would, therefore, require a very well planned and calculated approach to Marketing.

The time had come for us to be clear as to how this growth would take place.

- Would this be through the acquisition of Banks?
- Should we open lots of agencies in the various states?
- Should we contemplate opening more Representative offices and if so, where?

It was agreed that whatever the problems that were to be faced and the potential solutions we would arrive at we had as good a chance of success as anywhere else because we truly believed BCC was a mission, that our greatest asset were people and that our success arose out of the faith and dedication with which these people pursued their mission.

**Purpose**

The meeting was described as a very timely one in which we had an obligation to succeed and where success could only be achieved if we went about the task collectively. It was also felt that it is through meetings of this nature that information will flow, assistance will be provided, and the collective view on the U.S. operation will be presented to the C.S.O. so that it may assist them in carving out the policies on growth, expansion, credits and personnel matters.

After discussion it was agreed that the purpose of this Meeting was:

1. To inform each other of the nature of their operations

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2. To demonstrate how we are working together
3. To make recommendations on how we could do more business together.

#### Individual Presentations:

To update each member of the operations of different units it was agreed to discuss briefly the size and volume of each location's business.

Mr. Tariq Jamil presented the following report on NBG:  
(As on 31/12/84)

#### National Bank of Georgia

Deposits	-	996 Million
Assets	-	1303 Million
Profits	-	10.4 Million
Advances	-	742 Million

#### Nature of Business

- A. Retail and Consumer.
- B. Mid-Size Market (Commercial) Profitable and Relationship Oriented.
- C. Trustee Business.
- D. Bankers to Government Agencies.
- E. Small to Mid-Size Corporate Sector.
- F. Wholesale banking division established to address large corporate sector.

To increase the profitability by growth the following actions have been taken:

- A. Expansion - obtaining charter.
- B. Added more people to marketing.
- C. Decentralizing marketing.
- D. Expenses control.

He mentioned that consumer business is more profitable than commercial business.

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**BCC Canada**

Mr. Allahdad mentioned that it is difficult to operate on the same lines as NBG has been doing because of the difference in operational situation and credit policies for BCC Canada and that of NBG. BCC Canada cannot enter into:

- A. Consumer Loans
- B. Commercial Loans
- C. Credit Card Operations

He was also not happy with the capability of BCC computer facilities to meet the needs of the consumer in the local market place. He mentioned that till 1981, BCC had no acceptability in the local market and the situation has changed totally now and their CD's have an excellent listing. Their customer deposits are around \$200 million, out of which 55% are corporate funds and 45% from the retail sector. The loan portfolio is around \$90 million. Mr. Tariq Jamil discussed with him the possibilities of customer CD's for smaller accounts on the lines of NBG and requested Mr. Raja to explore the probability in the future. Mr. Allahdad mentioned that the reason of low profitability is lesser thrust in the consumer market as compared to more resourceful banks and mainly depending on corporate sector that offers very thin margins on the deals and deposits. In the interest of profitability the capitalisation costs have been kept very low that are negating the efforts to expand.

**New York Agency**

Mr. Rehman apprised the members of the present situation of the Agency and the process through which it has passed during the last one year. Because of its inability to open customer deposit accounts much could not be done in this sector and most of the time was consumed in setting up the office and systems so that it could be ready to accommodate all business that has to come.

In March 1985, after the passage of the New York State Omnibus Banking Bill, the Agency has been authorized to accept all kinds of non-resident/non U.S. citizen deposits of all denominations. The initial work has been completed on the printing of account opening forms, etc..., and after the concentrated marketing efforts positive results as expected. On the business side there has been an increase at an accelerated pace and the take off situation is very near.



Miami

Mr. Sakhia informed that the Miami Agency stands in third position among the foreign agencies in Miami. The Caribbean Region has contributed 13.5% to the growth of total deposits to the Group during 1984. BCC has all the acceptance of the local financial community. Mr. Sakhia suggested that they should have a joint approach in handling the U.S. business and that a consolidated and unified presentation should be made to C.S.O. to understand our operational problems and that a coordination team should be formed to collect information on the movement of the existing clients and the prospective clients.

Latin American Region

Mr. Musarrat Rizvi informed that their region has generated \$200 million of deposits out of which \$80 million has been placed in other BCC units. The projected figure for 1985 is \$800 million, out of which \$150 million are expected to be placed with other offices of BCC during 1985. Their operation in Peru and Argentina will start this year and it is expected that the Latin American Region will give a profit of \$10 million in 1985. He assured that every possible effort will be done to assist all the centers in their growth.

San Francisco

Because of the nature of operations, San Francisco Agency had mainly been catering to the Chinese businesses. Mr. Mohiuddin recently travelled in the Middle East and was successful in generating substantial amounts of deposits that has been placed with the Agency. He was confident that all efforts will continue to increase the size and effectiveness of their office.

Los Angeles

Mr. Munshi informed that his market is predominantly the ethnic community for retail deposits. Like San Francisco, they have to depend on deposits from Hong Kong, Canada and Middle East. He had poor response from most American companies that mainly deal with our U.S. Banks and he consequently concentrated on inter-bank money market. He was of the opinion that in the interest of profitability the loan portfolio is to be increased. In order to have an entry in the High Net Worth Individuals sector, they are planning to open an office in Beverly Hills very shortly.

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First American Bank of New York

Mr. Elley gave a background of the history of FAB Group, especially New York, describing the role of the investors and how the emphasis was on developing New York. He described that in addition to providing a range of full services from New York, the main focus would be on creating a powerful International Division and very strong Money Market and F.X. Operations, since these are two areas which had not been available in the FAB Group. He was glad to report that the Bank in New York was fully operational and offered in the International Area, Correspondent Banking Services, Trade Finance and Private Banking. Additionally, they were doing Domestic Banking through a network of 44 Branches, which were engaged in all the retail services from Mortgages to Auto Loans. A Corporate Division looked after the Middle Market and the larger companies, while the Treasury area was now very active in Money Market and Foreign Exchange Markets. FABNY was also a member of CHIPS and SWIFT, and had started handling the accounts of a number of BCC Branches.

Partly as a result of a number of acquisitions made in the previous year, the Bank had now achieved a size of \$800 million in assets and had a capital of \$100 million. It was expected that by the end of 1985, Assets would reach \$1 billion in New York.

They were presently facing the following problems:

1. New York City overheads were high and the dilemma was how to be in profit from year one.
2. Because of its acquisition programme, the Bank was currently a combination of 3 Banks, and a lot of Management time was being spent to form them into one Bank.
3. Sophisticated automation and systems had been put in place. This initially created teething problems, which were now almost resolved, but they had nevertheless taken up considerable time.
4. They were having to work very hard in creating a joint personality of the Senior Management.

Washington Representative Office

Mr. Amjad Awan was requested to provide timely information on domestic and international deals. Mr. Jamil described Washington as a seat of decision-making on major policies on trade and banking business. Mr. Awan assured that they are gearing up to meet the increasing requirements and expectations of assistance of BCC Group.

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**Conclusion**

The next venue of the meeting was decided to be in Miami on June 1, and specific items for the Agenda to be advised to Mr. Shafiq Ur Rehman for circulation. Mr. Rehman was requested to prepare, with the assistance of Mr. Elley, the Minutes of the present meeting.

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Marketing

Mr. Aijaz Afridi opened the discussion on marketing by referring to the concept of clear perception and clean instinct and defined clear perception as, "Capacity for comprehension, building a mental picture and then trying this to clear instinct - which is feeling all enveloped by the grand vision of what BCC shall be". He said that our major task in the U.S. should be to build market share. BCC had been a success in Third World and now we are embarked on establishing an equally successful business in the most competitive country in the world. He requested the members to work together to overwhelm the U.S. market and act in a unified manner and be supportive to each other.

Mr. Tariq Jamil described the U.S. market as information driven and information prone. There is a need to update our knowledge of marketing and be fully informed as to the needs of the customer. Historically we have not made calculated approach to the local indigenous market and have kept depending on the traditional sources of funds. The banking industry is undergoing tremendous changes and this is in the fold of this change that the success rests. The change always creates opportunities.

Mr. Sakhia advised that we should concentrate on increasing the customers deposit base. As our operations are new and we are trying to build up a bridge between BCC and the prospective market in South America and Caribbean, it is imperative that the customer should be introduced to BCC by every possible effort even if at times we have to attract them by offering better than market rate of interest. Once the relationship are developed the required adjustments in the composition of such deposits could be made. He mentioned that our greatest asset are the people. He suggested that we should set up a coordination desk at every center so that the information is passed on to each other on clients and business whenever there is a movement of these two factors from one place to another.

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National Bank of Georgia

To update each member of the operations of different units it was agreed to discuss briefly the size and volume of each location's business. Mr. Tariq Jamil presented the following report on NBC: (As on 31/12/84)

Deposits	-	996 Million
Assets	-	1303 Million
Profits	-	10.4 Million
Advances	-	742 Million

Nature of Business

- A. Retail and Consumer.
- B. Mid-Size Market (Commercial) Profitable and Relationship Oriented.
- C. Trustee Business.
- D. Bankers to Government Agencies.
- E. Small to Mid-Size Corporate Sector.
- F. Wholesale banking division established to address large corporate sector.

To increase the profitability by growth the following actions have been taken:

- A. Expansion - obtaining charter.
- B. Added more people to marketing.
- C. Decentralizing marketing.
- D. Expenses control.

He mentioned that consumer business is more profitable than commercial business.

BCC Canada

Mr. Allahdad mentioned that it is difficult to operate on the same lines as NBC has been doing because of the difference in operational situation and credit policies for BCC Canada and that of NBC. BCC Canada cannot enter into:

- A. Consumer Loans
- B. Commercial Loans
- C. Credit Card Operations

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He was not also happy with the capability of BCC computer facilities to meet the needs of the consumer in the local market place. He mentioned that till 1981, BCC had no acceptability in the local market and the situation has changed totally now and their CD's have an excellent listing. Their customer deposits are around \$200 million, out of which 55% are corporate funds and 45% from the retail sector. The loan portfolio is around \$90 million. Mr. Tariq Jamil discussed with him the possibilities of customer CD's for smaller amounts on the lines of NBC and requested Mr. Raja to explore the probability in the future. Mr. Allahdad mentioned that the reason of low profitability is lesser thrust in the consumer market as compared to more resourceful banks and mainly depending on corporate sector that offers very thin margins on the deals and deposits. In the interest of profitability the capitalisation costs have been kept very low that are negating the efforts to expand.

#### New York Agency

Mr. Rehman apprised the members of the present situation of the Agency and the process through which it has passed during the last one year. Because of its inability to open customer deposit accounts much could not be done in this sector and most of the time was consumed in setting up the office and systems so that it could be ready to accommodate all business that has to come.

In March, 1985 after the passage of New York State Omnibus Banking Bill the Agency has been authorized to accept all kinds of non-resident/non U.S. citizen deposits of all denominations. The initial work has been completed on the printing of account opening forms etc..., and after the concentrated marketing efforts positive results as expected. On the business side there has been an increase at an accelerated pace and the take off situation is very near. The New York Agency is fully automated and is member of S.W.I.F.T. and associate member of New York Clearing House. It has the operational capability to handle all kinds and volume of international business.

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Miami

Mr. Sakhia informed that the Miami Agency stands in third position among the foreign agencies in Miami. The Caribbean Region has contributed 13.5 % to the growth of total deposits to the Group during 1984. BCC has all the acceptance of the local financial community. Mr. Sakhia suggested that they should have a joint approach in handling the U.S. business and that a consolidated and unified presentation should be made to C.S.O. to understand our operational problems and that a coordination team should be formed to collect information on the movement of the existing clients and the prospective clients.

Latin American Region

Mr. Musarrat Rizvi informed that their region has generated 200 Million dollars of deposits out of which 80 Million dollars has been placed in other BCC units. The projected figure for 1985 is 800 Million dollars out of which 150 Million are expected to be placed with other offices of BCC during 1985. Their operation in Peru and Argentina will start this year and it is expected that the Latin American Region will give a profit of 10 Million in 1985. He assured that every possible effort will be done to assist all the centers in their growth.

San Francisco

Because of the nature of operations San Francisco Agency had mainly been catering for the Chinese businesses. Mr. Mohiuddin recently traveled in the Middle East and was successful in generating substantial amounts of deposits that has been placed with the Agency. He was confident that all efforts will continue to increase the size and effectiveness of their office.

Los Angeles

Mr. Munshi informed that his market is predominantly the ethnic community for retail deposits. Like San Francisco they have to depend on deposits from Hong Kong, Canada and Middle East. He had poor response from most American companies that mainly deal with other U.S. Banks and he consequently concentrated on inter-bank money market. He was of the opinion that in the interest of profitability the loan portfolio is to be increased. In order to have an entry in High network Individuals sector, they are planning to open an office in Beverlyhills very shortly.

- 6 -

First American Bank  
of New York

Mr. Elley gave a background of the history of FAB Group, especially New York, describing the role of the investors and how the emphasis was on developing New York. He described that in addition to providing a range of full services from New York, the main focus would be on creating a powerful International Division and very strong Money Market and F.X. Operations, since these are two areas which had not been available in the FAB Group. He reported that the Bank in New York was fully operational and offered in the International Area, Correspondent Banking Services, Trade Finance and Private Banking. Additionally, they were doing Domestic Banking through a network of 44 Branches, which were engaged in all the retail services from Mortgages to Auto Loans. A corporate Division looked after the Middle Market and the larger companies, while the Treasury area was now very active in Money Market and Foreign Exchange Markets. FABNY is also a member of CHIPS and SWIFT, and had started handling the accounts of a number of BCC Branches.

Partly as a result of a number of acquisitions made in the previous year, the Bank has now achieved a size of \$800 million in assets and has a capital of \$100 million. It was expected that by the end of 1985, Assets would reach \$1 billion in New York.

They were presently facing the following problems:

1. New York City overheads were high and the dilemma was how to be in profit from year one.
2. Because of its acquisition programme, the Bank was currently a combination of 3 Banks, and a lot of Management time was being spent to form them into one Bank.
3. Sophisticated automation and systems had been put in place. This initially created teething problems, which are now almost resolved, but they had nevertheless taken up considerable time.
4. They were having to work very hard in creating a joint personality of the Senior Management.



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To the question of Mr. Jamil on the application of funds Mr. Elley explained different outlets and also agreed with Mr. Jamil that he would do a research on the processing of Cash Letters of Savings and Loans Associations, Thrifts and Credit Unions that has been ignored by money center banks.

Washington Representative  
Office

Mr. Amjad Awan was requested to provide the timely information on domestic and international deals. Mr. Jamil described Washington as a seat of decision making on major policies on trade and banking business. Mr. Awan assured that they are gearing up to meet the increasing requirements and expectations of assistance of BCC Group.

Conclusion

Mr. Elley concluded that in America we are sitting on 7 Billion dollar assets and this is just the beginning. There is much to do and inspite of diversity of operations as different agencies and banks we have to find a common denominator. The U.S. Team should play an imporant role in identifying the products in the market and also to improve the resources and also set up an overall direction.

Mr. Sakhia expressed that it is a "uniques experience" the U.S. operations have been started by a team of younger and energetic individuals. He suggested that these meetings should be a continuing process and while we meet next time we should come up with recommendations and proposals on what we could do for each other.

It was agreed by consensus that instead of isolated approaches to C.S.O. to present our problems a joint approach should be made that would give a clear prospective on the needs and requirements in the U.S. market.

The participants unanimously agreed to nominate Mr. Shafiqur Rehman Khan as coordinator of these meetings. The next venue of the meeting was decided to be in Miami on June 1, and specific items for the Agenda to be advised to Mr. Shafiqur Rehman for circulation.



# MEETING OF AMERICAS CO-ORDINATING COMMITTEE

Held on June 2, 1985 at BCC Caribbean Regional Office in Miami.

The following attended:

Mr. S.M. Shafi  
Mr. Aijaz Afridi  
Mr. K.K. Elley  
Mr. Bande Hassan  
Mr. Amjad Awan  
Mr. Shafeeq R. Rehman

Mr. Louis Soubole  
Mr. Seni Ahmad  
Mr. Munanwar Hussein  
Mr. Hassan Parvez  
Mr. Abdur R. Sakhia

Minutes of the previous meeting held on April 24, 1985 in New York were reviewed. It was unanimously decided that in future the minutes should distill the spirit and content of the meeting together with decisions made by consensus. Minutes should not reflect personalities and produce verbatim discourse.

After some discussions, it was felt that since the meeting on April 24 did not have form and structure, we should start afresh from now. This was especially important since two very senior colleagues Mr. S.M. Shafi and Mr. Soubole had not been able to attend April 24 meeting.

However, since the first meeting was a milestone in bringing about a new process of evolution of BCC in America, and so many valuable contributions were made, the spirit of that meeting should always remain as an eternal part. Two sets of minutes were adopted.

It was proposed to nominate Mr. Shafi to chair today's meeting which was unanimously adopted. A proposal to rotate the chairman at every meeting was discussed, but it was felt that to give form and continuity, there should be a permanent chairman and permanent secretary/co-ordinator. Mr Sakhia was proposed as co-ordinator and secretary to this committee; this was agreed by consensus. Mr. Afridi was proposed to be the alternate chairman to preside over the meeting in the absence of Mr.S.M. Shafi.



Meeting of Americas Co-ordinating Committee  
June 2, 1985  
Page 2

It was also proposed that membership should be determined and only Heads of various locations should attend this meeting as sanctity would be lost if various substitutes were to attend. It was felt, however; that in some cases an alternate should also be nominated who will be present in the absence of the members.

The following list of members were approved:

LOCATION	MEMBER	ALTERNATE
1. Latin America Region	Mr. S.M. Shafi	Mr. Bande Hasan
2. West America Region	Mr. L. Souhole	(to be advised)
3. Caribbean Region	Mr. Abdur Sakhs	Mr. Hassan Parvez
4. New York Agency	Mr. Shafique Rahman	Mr. J. Razzaki
5. BCC Canada	Mr. Raja Allahdad	Mr. M. Hussain
6. Banco Mercantil	Mr. Ferozdean	No alternate
7. First American	Mr. Aizaz Afridi/ Mr. K.K. Elley	No alternate
8. Natl. Bk. of Georgia	Mr. Tarig Jemil	
9. BCCI Washington	Mr. Sanj Ahmad	Mr. Amjad Awan

The name of this committee was agreed to be "Americas Coordinating Committee". It was also agreed to send minutes of the meeting to the President Mr. Agha Hassan Abedi, Mr. Swaleh Naqvi and Mr. Kemal Shosib.

Matters arising from previous meetings were discussed:

I. Co-ordination Desk.

In pursuant of the previous decision to set up a co-ordination desk at each centre. Function of this desk will be as follows:

- 1) To co-ordinate inter-regional marketing.
- 2) To provide protocol and courtesy to customers from other areas.
- 3) To make referrals of customers and potential clients, visiting other locations to these desks.
- 4) To exchange information on prospects and potential businesses.

Meeting of Americas Co-ordinating Committee  
 June 2, 1985  
 Page 3

The following were designated to be the contact officers at various locations.

<u>AREA</u>	<u>CONTACT PERSON</u>	<u>LOCATION</u>
Latin America	Mr. Akber Bilgrami	1200 Brickell Ave. Miami, Fl. 33133 Telephone: Telex
West America	Mr. Zafar Saleen	
Caribbean	Mr. Saad Shafi	
Canada	To be advised by Mr. Raja	
First American	Mr. Mansoor Shafi	
Natl. Bk. of Georgia	To be advised by Mr. I. Jamil	



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Meeting of Americas Co-ordinating Committee  
June 2, 1985  
Page 4

It was proposed and agreed that when each location holds the marketing conference, all units should be informed and invited to send participants, as was done by the Caribbean Region and Latin American Region to bring about great interfusion.

The committee was informed that the next Caribbean Regional Marketing Conference will be held in Miami, on July 13 1985 and all were invited to attend and/or nominate participants.

It was also proposed to request Agja Saheb and other colleagues from C.S.O. to address a Hemisphere-wide Marketing meeting for 30 to 40 participants from Americas. It was also proposed that the subject meeting may be held in Miami, subject to Agha Saheb's convenience.

Mr. S.M. Shafi clarified the presentation given by Mr. Rizvi in the previous meeting that actual profit contribution by the LAR would be higher than \$ 10M but would not reflect in the books of the units of the Latin America Region as substantial deposits generated by units in LAR were placed with the units in other Regions.

## II. MARKETING.

Mr. Shafi also requested that since various people had dealt with various countries in South America and had developed various contacts and relationships, it would be useful if these contacts could be passed on to L.A.R.

Mr. Afridi mentioned that there were two Latin Officers in First American Bank who had been successful in Marketing, and he will request them to prepare a list of their contacts and send it to Mr. Shafi.

Possibilities of BCC Agencies procuring Mortgage business and selling it to First American was discussed. In this connection a preliminary meeting was held in Washington. Mr. Elley would arrange a meeting in New York with Mr. F.A. Nyoulz and First American in Washington for Mr. Sakha and Mr. Parvez.

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Meeting of Americas Co-ordinating Committee  
June 2, 1985  
Page 5

A synopsis of Commodity Credit Corporation business was discussed. Mr. Sakhis requested L.A.R. to help marketing in South American countries. He was informed that similar marketing efforts are being launched with the help of other regions.

Mr. Afridi mentioned that he was appreciative of the co-operation of the Caribbean region in giving them both deposits and asset business.

Mr. Shafique Rehman informed the committee that a Cayman Desk and a home remittance desk were set up in the New York agency for providing better service. Mr. S.M. Shafi informed the committee that a new branch is being opened in Grand Cayman to provide full service. Mr. Sakhis mentioned that the Bahamas branch in Nassau was in full operation, and all units can direct business to Nassau.

It is believed that Central Marketing already has Americas desk in London and so, persons concerned may be invited to visit all units in the U.S.A.

### III. CREDIT

The group was appreciative of the fact that the process of credit sanction has been expedited by C.C.C. It was also felt that since the U.S. was a new market for BCC and there were new opportunities and challenges, a study should be made to find a desirable area of business such as leasing, factoring and any other area which they felt was worth studying. Once this list is compiled, C.S.O. will be invited to jointly study the feasibility of BCC going to new areas, and provide guidelines to U.S. operations to market these new opportunities.

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Meeting of Americas Co-ordinating Committee  
June 2, 1985  
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GUIDELINES FOR THE PROPOSALS ARE AS FOLLOWS:

- 1) Business should be within overall philosophy of BCC e.g. short term, secure, profitable (with reasonable return).
- 2) Units should be able to fund themselves within liquidity guidelines.
- 3) There should be a system and/or data-processing capability within the units to handle the type of business or have the ability to acquire the capability and there must be a back up for service and follow up.
- 4) There should be technical and/or legal know how available to handle this type of business.

All units were requested to send their studies and/or recommendations to Miami, as early as possible.

IV. HUMAN RESOURCES

It was felt that as we now have an adequate pool of manpower available within the Americas, we may be able to help each other to meet emergency or short-term requirements. We may also be able to meet longer term requirements by making staff available for transfer. This, in some cases, may eliminate the need for work permits, visas and other requirements.

V. COMPUTERISATION

It was unanimously felt that our data processing capability was inadequate and unsuited to the requirements of the United States and Canada. Each unit from Canada, West Coast, New York, Latin America and the Caribbean gave a list of their problems and difficulties.



Meeting of Americas Co-ordinating Committee  
June 2, 1985  
Page 7

The Centre in Madison Avenue was not communicating with any unit in the U.S., nor was accountable to any unit in U.S. and was directly reporting to or receiving briefs from London.

It was agreed by consensus that this state of affairs be brought to the notice of Agha Saheb and his assistance must be sought. It was also agreed that a list of requirements of each area may be compiled and sent to the President, Mr. Naqvi, Mr. Shoaib and Systems and Operation Division for possible help.

The list of problems and difficulties was long. They fell into the following categories:

- 1) Software does not meet the regulatory and statutory requirements, and substantial manual book-keeping is required.
- 2) Some returns are prepared for submission to authorities in the case of Canada, but in other locations, no such facility was available.
- 3) Software was not adequate for Marketing purposes, as we are unable to offer any service to our customers.
- 4) Computer system was very inefficient and has a lot of duplication of manual/clerical input which is not cost effective.
- 5) Equipment is very unreliable; there are many breakdowns, and back up service is very poor. The technology is also very out dated. It is least befitting for a progressive and modern home like BCC to be tied to such out-dated equipment.



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June 2, 1985  
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VI. OTHER MATTERS

It was felt that the number of reports and returns to various units in C.S.O. has grown very large, and recommendation should be made to C.S.O. for a review. It was decided that a list of returns of representative locations will be sent to London.

These locations are New York, Los Angeles, Miami and Kingston, Jamaica.

The next meeting is proposed to be held on Saturday July 20, 1985 in San Francisco.

The meeting ended with a vote of thanks to the chair.

  
S.M. Shafi  
Chairman

  
A.R. Sakha  
Secretary

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MESSAGE # 963  
RDV LN 1

264862 BCC LAR  
RCA JUN 09 1633

2127 BCC PA

BCCI 3059

JUNE 5, 1986

VIA: BCCI PANAMA

TO: MR. S.M. SHAFI  
BCCI LAR MIAMI

WE GIVE BELOW PARTICULARS OF PARKED LOANS ARRANGED BY LONDON  
OFFICE RECENTLY.

DATE	NAME	AMOUNT	PERIOD	INTEREST	REPAYMENT
1. 3.6.86	GANDER LIMITED	6,500,000	1 YEAR	3 PCT OVER LIBOR	IN LUMP BY JUNE 1987
2. 3.6.86	SAGE TRADING INC	6,800,000	"	"	"
3. 4.6.86	MELTAY INC	8,000,000	"	"	"
4. 4.6.86	THON ENTERPRI	9,000,000	"	"	"
5. 4.4.86	TEXAM INVEST	8,500,000	"	"	"
6. 5.5.86	DR. GAITH PHARADON	31,258,194.44	3 MONTHS	3 OVER LIBOR	AT MATURITY

REGARDS  
A.M. BILGRAMI

BCCI PANAMA  
VVV  
264862 BCC LAR  
1633 06/09  
VIA TRT  
\*/

DURATION 206 SECS LISTED 2116 ???02-07-00

PAGE 442 IS NEXT

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**BANK OF CREDIT AND COMMERCE INTERNATIONAL**

CARIBBEAN REGIONAL OFFICE

1800 BRICKELL AVENUE MIAMI, FLORIDA 33131 U.S.A

February 10, 1986

Mr. Agha Hasan Abedi  
President  
Bank of Credit & Commerce

Dear Agha Saheb:

Future Plans in the United States

With reference to our brief meeting in London, we are pursuing bank acquisition with Mr. Altman the two institutions I mentioned to you in London. As you are aware, the statewide banking in the state of Florida is achieved either through acquisition in different counties and subsequent merger or by incorporation of Denovo Banks in each county, and merging them subsequently.

The first process is expensive as we have to pay premium for each acquisition plus all legal and out-of-pocket expenses. The second process also involves considerable time and expense as the Denovo Incorporation goes through possible public hearings.

As I suggested to your good self, we may apply for state chartered agencies of BCC Overseas in Ft. Lauderdale, Orlando and Jacksonville counties. Because of our relationship with state authorities we can get approval ourselves within two to three months without involving any legal cost whatsoever.

When we complete the acquisition of a bank we may then transfer existing agencies with the exception of the Miami Agency to the acquired bank with considerable savings of cost and time.

As you are aware, National Bank of Georgia (NBG) maintains an agency in Miami which primarily does correspondent banking business with the Central banks and commercial banks from Central American countries. They also have some deposit base of non-resident customers. In view of the forthcoming restructuring of the bank in Georgia, it may be useful to merge their Miami operation with BCC Overseas, Miami, as this will offer additional dollar deposit and correspondent banking relationship to BCCI Overseas.

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Mr. Agha Hasan Abedi  
President  
Bank of Credit & Commerce

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BCCI Colombia (Banco Mercantil) maintains an office (just a book) in the Bahamas. U.S. dollar deposits generated from clients by BCC Colombia are generally placed by them with their own Nassau Branch. The same dollars are used by them for their U.S. dollar loans.

It is possible to merge BCC Colombia's Nassau operation with BCC Overseas (Nassau Branch), resulting in an increase of dollar deposit of BCC Overseas. The profits earned by lending back to BCC Colombia will remain in U.S. dollars instead of converting it back to Colombian pesos and free from tax.

As usual I shall be grateful to receive your most enlightened guidance on the above and shall be most pleased to initiate the necessary steps for the above.

Sincere regards

Abdur R. Sakhia

c.c. Mr. Ameer Siddiki

Mr. SAKHIA. Very little. In the early eighties, First American had just come into existence. They were still finding their direction, their business plan, and in our view First American did not have a marketing culture. They were not well known, they were not aggressive, they were not efficient. They were managed by lawyers and a geriatric board.

So we were helping them on their feet. Very little was being done by them for BCCI.

Senator KERRY. I'm going to come back to that a little bit later. But let me just ask you, did Mr. Afridi and Mr. Elley—I understand you have said to the staff that Mr. Afridi and Elley of First American and Mr. Jamil of National Bank of Georgia all understood that First American and National Bank of Georgia were owned by BCCI. Is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. How do you know that?

Mr. SAKHIA. Again, all of this is the evidence, that we are doing things together. We are bearing the costs, "we" meaning BCCI is incurring the costs; First American is getting the business. Not only that we are giving or introducing business to them, we are also telling them how to do the business.

These are not arm's-length interbank relationships.

Senator KERRY. Now, I am confident that Mr. Altman would sit at this table, or anybody would, and say: Wait a minute, folks, we were a bank on our own, we did an awful lot of deals that you guys never knew about in Florida, and we earned plenty of money and proved to be a profitable bank by virtue of our capacity to make all these deals, in real estate and a lot of other things.

You're not going to sit there and say that you looked over their shoulder on every deal they made, are you?

Mr. SAKHIA. I didn't, but Mr. Abedi did.

Senator KERRY. Mr. Abedi did?

Mr. SAKHIA. Yes. They reported to Mr. Abedi.

Senator KERRY. Excuse me?

Mr. SAKHIA. They reported to Mr. Abedi about their performance, about their budgets.

Senator KERRY. They don't contest that. They don't deny that. They say they did indeed report to Mr. Abedi. They reported to Mr. Abedi because Mr. Abedi was responsible for the shareholders, for the investors, and they were designated to indeed report to Mr. Abedi.

Where's the inconsistency?

Mr. SAKHIA. Sir, I fail to understand, because I have heard both in the testimony and in the press that it was difficult to communicate with the Middle Eastern investors. I fail to understand that, because the type of the list that has come up front now involves people who did business in the United States, who came to the United States.

They were not Bedouins in the desert who were being communicated. These were intelligent people who owned banks and businesses. The Abu Dhabi Investment Authority has several billion dollars investment in this country, and if they can manage those businesses they did not need a channel via Mr. Abedi to First American. They could have done it directly.

So were the Mafuz family and so with Pharaon. So I do not buy that it was difficult to communicate. They were not some Indians in the woods or Bedouins in the desert. These were big, prominent people. They had counsels here, they had investment advisors here, they had offices here, they had businesses here.

So I don't buy that because of the difficulty of communication with the Middle East. This doesn't wash with me.

Senator KERRY. Don't big, prominent, wealthy people sometimes choose an individual to be their go-between and middle person in the management of their portfolios for a particular investment?

Mr. SAKHIA. Unless, unless they were a silent investor in a small way. But here is a handful of people owning a major business, and they have several other businesses.

Senator KERRY. Not banks necessarily.

Mr. SAKHIA. Sorry?

Senator KERRY. Not necessarily banks. Here they were investing in a bank and they went to a banker who had a big international bank, who also happened to be a representative of the Third World. They were comfortable with that and so they said: You be our advisor; you know banking. We don't. You do it.

Mr. SAKHIA. How much did Mr. Abedi know about banking in the United States which Mafuz or Audia or Pharaon did not know? He had no banking presence in the United States. He had no business experience in the United States. He had certain experience in the Middle East and Pakistan and Africa, but not in the United States.

What counsel can Mr. Abedi give to go to Mr. Altman which either the Mafuz family or the Abu Dhabi family or Pharaon family could not go directly to Altman and Clifford? Why would they need an intermediary in that situation?

I can understand, yes, Mr. Pharaon wants to ask me to introduce him to people in one of the Caribbean countries. I can understand that. But in the United States, where he has a home, where he has an office, where he has a counsel, where he has a staff, he could do whatever he wants and he could have direct communication with any lawyer or any executive that is managing this enterprise.

Senator KERRY. Well now, isn't it a fact that Mr. Abedi actually told you that BCCI owned these other two banks?

Mr. SAKHIA. He told all of us that this was one and the same enterprise.

Senator KERRY. How often did he tell you that?

Mr. SAKHIA. Ongoing. Mr. Abedi used to single me out in some of the meetings to say that—because I was insistent that BCCI should have a direct presence of BCCI in the United States because we had a lot of opportunity, we were marketing with our hands tied behind our back because we were agencies. And he would say: Well, why don't you do marketing for our other banks, for First American Bank, for National Bank of Georgia? Here are two banks; what do you want?

I'd say: Sir, it makes a difference because we do not control the transactions, we do not provide the services directly; we have to go through other people. And this example that you showed me is an example of how we were instructing them to provide the service,

because it was not in our control. It was being done by a different entity. So we had to spell it out step by step what they should do.

Senator KERRY. Did Mr. Abedi at some time have a discussion with you about getting business for First American and you were questioning it, and he said, it's OK?

Mr. SAKHIA. Yes, I would question because we were frustrated at the response time, turnaround time, service of First American. In BCC we in terms of business used to give a very good turnaround time, very good service. First American was in that sense very bureaucratic.

And Mr. Abedi would say: Why don't you pass on business? I would say: First American stinks, First American cannot respond the way we respond.

So then he brought about the coordination committee to ensure that things flowed smoothly. In mid-1985 or third quarter 1985, I still insisted that we should have a bank in U.S. So in November 1985 these two decisions were made: one, to merge the First American and National Bank of Georgia; and that BCC should have its own presence.

Senator KERRY. What was Gaith Pharaon's role at BCCI?

Mr. SAKHIA. He was, what we knew them, was one of the largest shareholders in BCCI, and he was a customer of BCCI. Also we knew that he was a front man in several deals, including National Bank of Georgia. There were nonbanking deals, like an oil company, a cement company, and other business, in which Gaith Pharaon was a participant.

Senator KERRY. Well now, what do you mean by a "front man"? First of all, how did you come to know that he was a front man for National Bank of Georgia?

Mr. SAKHIA. Let me, sir, take you to the Middle Eastern way of doing business. If you want to do a business in any of the Middle Eastern countries, you need a local sponsor. A foreign company cannot do business in most of the Middle Eastern countries.

Now, the local sponsor could be an active participant or he could be only your sponsor. That means he gives you his name, he gives you his connection, his work permits, but does not participate. He just takes either a percentage of profit or a flat fee.

This business was turned around in the case of businesses outside the Middle East. Mr. Pharaon had been a sponsor of one of the insurance companies which was owned by ICIC in Saudi Arabia. The same thing was turned around in the case of National Bank of Georgia.

Senator KERRY. Except that he wasn't local.

Mr. SAKHIA. Yes, but the same business, like McDonald's is now in Russia. This practice was brought to the United States. The practice that had very well succeeded in the Middle East was now being brought to the United States.

Senator KERRY. To find a front person?

Mr. SAKHIA. To find a front person.

Senator KERRY. But what proof do you have that he wasn't in fact a legitimate shareholder who actually purchased this on his own?

Mr. SAKHIA. The example that I gave you of the two brothers and a father. What I have seen now with various agencies, how the

merger of First American and Independence Bank took place, was how the money went into the circle.

Senator KERRY. Well, did you know at the time that he had his loan pledged completely to BCCI?

Mr. SAKHIA. Not specifically, not until April 1990. We had a sense of it, but we did not know the specifics.

Senator KERRY. But you personally didn't know it?

Mr. SAKHIA. No, sir.

Senator KERRY. So you personally, who were the head of BCCI in the United States, doing day to day practical management, didn't know it?

Mr. SAKHIA. No, sir, because the loans were in Grand Cayman.

Senator KERRY. Then why wouldn't it be perfectly credible that Mr. Clifford and Mr. Altman wouldn't know it, either? If you could be deceived by that, why couldn't they?

Mr. SAKHIA. I wasn't deceived. I knew it. I wasn't aware of the bookkeeping until I saw the file on the Independence Bank. When I saw the file on Independence Bank, I became aware of the specifics.

Senator KERRY. When did you see the file on Independence Bank?

Mr. SAKHIA. About May 1986.

Senator KERRY. May 1986 you learned what?

Mr. SAKHIA. We were in process of acquiring a bank in Florida and we were going to have Fulaij as our nominee.

Senator KERRY. Fulaij, Mr. Fulaij was going to be the front man, the nominee?

Mr. SAKHIA. Was going to be the front man.

Senator KERRY. Didn't you in BCCI have a nickname for that? Didn't somebody call that "rent-a-face"?

Mr. SAKHIA. No, sir. That was a nickname for the directors of BCCI.

Senator KERRY. That was a nickname for what?

Mr. SAKHIA. For the directors of BCCI.

Senator KERRY. Oh, for the directors. They were the rent-a-faces?

Mr. SAKHIA. Yes, sir.

Senator KERRY. What were these, rent-a-body or something?

Mr. SAKHIA. Rent-a-name, whatever.

Senator KERRY. Rent-a-name.

But basically, Fulaij was simply going to be a setup, a front for the purchase?

Mr. SAKHIA. Yes, sir, on the same model, on exactly the same model as Pharaon was.

Senator KERRY. On the same model. How did you know it was on the same model?

Mr. SAKHIA. Because I was given the file. I had seen the file.

Senator KERRY. You saw the file?

Mr. SAKHIA. Yes.

Senator KERRY. And the file you saw was also shared with attorneys at that time, wasn't it?

Mr. SAKHIA. Yes.

Senator KERRY. What attorneys was it shared with?

Mr. SAKHIA. With Mr. Altman.

Senator KERRY. So he saw a file which similarly at that time showed this model for front person acquisition?



Mr. SAKHIA. Yes, sir.

Senator KERRY. Now, what specifically did it show as to Pharaon?

Mr. SAKHIA. The power of attorney from Pharaon, his net worth statement, his loan agreements, the pledge agreements.

Senator KERRY. The pledge agreements, the whole thing?

Mr. SAKHIA. Yes, the series of documents. It was the complete file.

Senator KERRY. So in 1986 you got the whole picture?

Mr. SAKHIA. Yes, sir.

Senator KERRY. You could see precisely how one loan was subscribed to from one institution and then pledged to another?

Mr. SAKHIA. Yes.

Senator KERRY. Shares of stock as collateral pledged, so that ultimately you had this circular ownership situation.

Mr. SAKHIA. In the case of Independence Bank, it was done in even a little more sophisticated way. The loan was made by a New York bank. This bank was guaranteed by a French bank. BCCI guaranteed the French bank. So it was sort of one step—

Senator KERRY. But the French bank was a BCCI bank?

Mr. SAKHIA. No, sir. They had a common directorship, BAIL.

Senator KERRY. OK, BAIL was common directorship.

Mr. SAKHIA. It had a common directorship.

But BCCI guaranteed BAIL, BAIL guaranteed New York bank, New York bank made the loan. When the loan was not serviced, BCCI paid the interest. When the loan became due, BCCI paid the installments.

Senator KERRY. Now, Mr. Fulaj was also an original investor in First American, wasn't he?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Was he a front man in that transaction, do you know?

Mr. SAKHIA. Well, I believe so.

Senator KERRY. But you don't know?

Mr. SAKHIA. Well again, I keep going back to a common understanding in BCC, that this is one and the same bank.

Senator KERRY. We'll just take 1 minute here. [Pause.]

I think what we're going to do now—it's just about 1 p.m.—is break for lunch, come back, pick up with the National Bank and some other items. We may not begin exactly at 2:30 p.m., but we're going to try to. We have another committee quorum issue which I've got to attend to. But we'll plan on beginning the hearing again at 2:30 p.m. this afternoon, and we'll stand in recess until that time.

[Whereupon, at 12:56 p.m., the subcommittee was recessed, to reconvene at 2:30 p.m. the same day.]

#### AFTERNOON SESSION

The subcommittee convened, pursuant to notice, at 3:12 p.m., in room SH-216, Hart Senate Office Building, Hon. John Kerry (chairman of the subcommittee) presiding.

Present: Senators Kerry and Brown.

Senator KERRY. The hearing will come back to order. My profound apologies to all concerned about the delay. Of course, I told you I did not think it might start until about 2:45 p.m., but the Senate then scheduled, as it is often wont to do in the middle of a session like this, a vote, and that took even longer.

The great advantage of having these hearings during recess, which not a lot of people like to do, is that we really get a lot more done in continuum. Sometimes that is very important.

Mr. Sakhia, let me remind you that you remain under oath, as you were sworn earlier today.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Would you pull the microphone just a little closer? I want to make sure that you as audible as possible. I think some of you may have had a little problem hearing you earlier this morning.

Mr. SAKHIA. Yes.

Senator KERRY. I would like to come back now and fill in a few gaps as we go along sequentially here. I would like to go back to the issue of Mr. Pharaon and the purchase of the National Bank of Georgia.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Did you learn at some point that Mr. Pharaon had developed serious financial problems?

Mr. SAKHIA. Yes, sir.

Senator KERRY. When did you learn that?

Mr. SAKHIA. I think in the latter part of 1985, the second half of 1985. It was all over the news that Mr. Pharaon bought his businesses in Saudi Arabia and outside world, had severe liquidity problems, and there was a standing committee of banks set up to resolve the problem of the stack of loans.

Senator KERRY. So in 1985 Mr. Pharaon had a number of business failings or problems outside of BCCI?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And a bank, a series of banks came together as a creditor group?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And they were chasing Mr. Pharaon for money, is that correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. How significant were those claims, do you know? What kind of money was at stake, would you estimate?

Mr. SAKHIA. In hundreds of millions of dollars.

Senator KERRY. So hundreds of millions of dollars of problems for Mr. Ghaith Pharaon?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now, did that in some way affect anything with respect to BCCI and its relationship to Mr. Pharaon?

Mr. SAKHIA. My feeling is that Dr. Pharaon had a shareholding in BCCI and he had ownership of National Bank of Georgia which to the outside world was unencumbered, but in fact it was encumbered to BCCI, or BCCI affiliates like ICIC and so on, within the one umbrella. So—and later on within a few months—

Senator KERRY. Pull the microphone down a little bit, see if that is better.

Mr. SAKHIA. Within a few months there was no more shareholding in BCCI. All the shareholding in BCCI had been transferred to or sold to the Mahfouz family.

Senator KERRY. Sold? I did not understand that.

Mr. SAKHIA. Either sold or transferred. Effectively he no longer remained a shareholder in BCCI.

Senator KERRY. That was transferred?

Mr. SAKHIA. According to my knowledge and my understanding.

Senator KERRY. How was it transferred, do you know?

Mr. SAKHIA. Well, again, what I've seen or what I've heard since 1990 is that a loan was given to Mahfouz family to buy the shares and the loans of Pharaon's were adjusted.

Senator KERRY. So a loan was given by BCCI?

Mr. SAKHIA. Or BCCI affiliates like ICIC.

Senator KERRY. So all the BCCI affiliates chipped in loans?

Mr. SAKHIA. Right, sir.

Senator KERRY. In order to give the money to somebody to buy out Mr. Pharaon so Dr. Pharaon would no longer have a visible or attachable, reachable liability?

Mr. SAKHIA. Yes, sir. Reachable asset.

Senator KERRY. A reachable asset.

Mr. SAKHIA. Which could be attacked by the creditor banks.

Senator KERRY. Are you saying to us that BCCI was afraid that this front person had accrued outside liabilities—

Mr. SAKHIA. Yes, sir.

Senator KERRY. That would then put BCCI's true interest at risk if they were able to reach that interest in the name of Pharaon?

Mr. SAKHIA. That's correct.

Senator KERRY. Therefore, you are saying that Mr. Pharaon went through some transactions to get out from under the potential of BCCI, in fact losing that interest?

Mr. SAKHIA. Right, sir.

Senator KERRY. Is that why National bank of Georgia was sold?

Mr. SAKHIA. Again, that is my conclusion.

Senator KERRY. That is your conclusion. Well, were you part of any discussions? Did you hear any conversations to that effect?

Mr. SAKHIA. Not with regard to restructuring of Dr. Pharaon's portfolio and investment within BCC group, but in general I was aware that there were meetings in London which I was not party to, but there were meetings taking place in London to restructure the holding and the loans and the assets relating to Dr. Pharaon's business.

Senator KERRY. Who were those meetings between?

Mr. SAKHIA. Between Mr. Abedi, Mr. Naqvi, a representative of Mr. Pharaon, the people from Central Credit Division, so they were restructuring the Pharaon case, and at the end of 1 year, or within the period of about 12 months, from a holder in—of National Bank of Georgia and probably the largest single holder in BCC, he no longer remained shareholder in BCC and he no longer owned National Bank of Georgia.

Senator KERRY. Now, you have testified that BCCI made the decision to take over National Bank of Georgia directly rather than Mr. Clifford or Mr. Altman making the decision, is that accurate?

Mr. SAKHIA. That's my understanding.

Senator KERRY. Well, when you say, your understanding, I want you to be precise. Did you have knowledge of that as a matter of—

Mr. SAKHIA. Yes, sir, I have.

Senator KERRY. You do have knowledge? What is your knowledge of that?

Mr. SAKHIA. Before, I would make one or two side comments with your permission.

First of all, none of these documents here or with any other agency I have given to anybody. They have all been independently found. I have not given—

Senator KERRY. All right. You didn't give these documents to anybody?

Mr. SAKHIA. To anybody.

Senator KERRY. The documents which you've evidence of some of this were independently supplied or found?

Mr. SAKHIA. Yes, sir. Second, you reminded me about oath. At this morning we discussed that some of my testimonies had been under oath and others had been without oath, but to me both is the same. Whether I made any agency of the Government under oath or without oath, I will tell what I know to be true. I just wanted to make these two points.

Now, coming to National Bank of Georgia, there was a meeting in Miami in November of 1985.

Senator KERRY. Who arranged that meeting?

Mr. SAKHIA. I had organized the meeting.

Senator KERRY. You organized the meeting?

Mr. SAKHIA. I organized the meeting with Mr. Abedi. Mr. Naqvi came from London. We had the conference, which was for BCC, but during this period of Mr. Abedi's stay there was a meeting between Mr. Clark Clifford, Mr. Altman, Mr. Abedi, Mr. Naqvi, Mr. Faruq Jamil, and I think Mr. Carlson.

Senator KERRY. Mr. Roy Carlson?

Mr. SAKHIA. Mr. Roy Carlson.

Senator KERRY. And this meeting was in an open office?

Mr. SAKHIA. This was held in a conference room which was a glass conference room, and I was sitting in the office. I had sent the invitations and made arrangements for everybody's travel.

Senator KERRY. But you were not actually present during the meeting?

Mr. SAKHIA. Not during the meeting, but in the evening before this meeting.

Senator KERRY. Before we get to the evening, it is my understanding that after the meeting Mr. Abedi met, you all met, and Mr. Abedi told you something.

Mr. SAKHIA. Yes. He told us two things, No. 1, that the National Bank of Georgia would merge with First American, and No. 2, that we would have our own bank in Florida, that BCC will have its own direct presence in Florida. These were two crucial decisions taken at that meeting.

Senator KERRY. Now, when Mr. Abedi told you that, did Mr. Abedi say to you that we have instructed them to buy the bank, or to sell the bank, or instructed, this is the way that—how was that conveyed to you?

Mr. SAKHIA. Well, my recollection is that we talked of merger and not buy and sell. We talked of merger of National Bank of Georgia with First American Bank.

Senator KERRY. Did you discuss the issue personally yourself with either Mr. Altman or Mr. Clifford?

Mr. SAKHIA. No, sir, not the National Bank of Georgia issue. I have not discussed that with them.

Senator KERRY. It was my understanding that you were at a dinner the night before with Mr. Naqvi and Mr. Abedi.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Was there a discussion at that dinner meeting?

Mr. SAKHIA. And Mr. Altman. Mr. Abedi briefed Mr. Altman about the next morning's agenda of their meeting, and again these were the two subjects. The one was the merger of NBG and First American, and the second was—

Senator KERRY. Well, would it be unusual for Mr. Altman as counsel—I mean, he wears several hats, and that's been an issue here. Why would it have been unusual for Mr. Altman or Mr. Clifford as lawyers, for Mr. Abedi and lawyers for BCCI not to have been briefed? That would seem to be a normal course of business.

Mr. SAKHIA. Well, here they are also the chairman and the president of First American, and they are being told of the decision to merge the two entities. They are supposed to do all the regulatory and legal work and paperwork, but essentially the decision is being made by Mr. Abedi. Also, sir, I have been shown a document of my report to Mr. Abedi of February 1986.

Senator KERRY. What document is that? Go ahead. Why don't you continue?

Mr. SAKHIA. According to this document, I have had discussions with Mr. Abedi which part of NBG should we transfer to First American and which part should be directly taken by BCCI. According to this document, I have suggested that the Florida offices of National Bank of Georgia should merge with BCC Florida, as it was going to be, and the rest should go to First American. So that is the decision we are making in BCCI, not being made by Mr. Clifford or Mr. Altman.

Senator KERRY. This is the document, a letter from you to Mr. Abedi?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Dated February 10, 1986?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And this letter notes that you personally will be meeting with Mr. Altman in order to pursue this transaction?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Stating, "With reference to our brief meeting in London we are pursuing bank acquisition with Mr. Altman the two institutions I mentioned to you in London."

So you were really briefing him on the completion of his instructions with respect to that, is that correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now, again, why is it not possible that Mr. Abedi was simply conveying the instructions of the shareholders of the investor group that he represented?

Mr. SAKHIA. Yes, but earlier you asked me whether the decision was being made by Clifford or Altman or being made by Mr. Abedi. What I'm saying is that this decision for First American to merge with National Bank of Georgia is being made by Mr. Abedi, not by Mr. Clifford or Altman or board of First American.

Senator KERRY. So it's your testimony that while the regulators and anybody in the public who might have noticed thought that First American was just buying a bank in Georgia—

Mr. SAKHIA. Yes.

Senator KERRY. In effect BCCI was giving instructions to what it considered a subsidiary to buy a bank for BCCI, is that your testimony?

Mr. SAKHIA. Yes, sir.

Senator KERRY. OK, and you believe that the documents that you have cited, as well as others, support that?

Mr. SAKHIA. Yes, sir.

Senator KERRY. What other documents would you assert support that?

Mr. SAKHIA. Sir, I mentioned this morning a very critical document, which I haven't seen with any authorities here, was a model file of the transaction of Independence Bank.

Senator KERRY. The model file. That is the file that you testified to earlier today.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Which had the details of the National Bank of Georgia buy-out plus the prospective buy-out of the bank in Florida.

Mr. SAKHIA. That had the model of Independence Bank in California which was the model which were going to follow in Florida.

Senator KERRY. Now, did you meet with Mr. Altman in Luxembourg in May 1986?

Mr. SAKHIA. Yes, sir, I did.

Senator KERRY. Who else was present at that meeting?

Mr. SAKHIA. Mr. Swaleh Naqvi and Mr. Shahid Jamil, and Mr. Robert Altman, and myself. We had discussed about the acquisition of the Florida bank and we had come to an impasse whether BCC could buy because of it's financial problems or whether a nominee should buy. And between February 1986 and May 1986, three nominees had been changed. And in that meeting Mr. Naqvi briefed us that now the nominee would be Mr. Al-Foulaij, and he would send power of attorney and documents and he mentioned that he would give one of us the file on which we should base the model on.

Senator KERRY. And the reason that the bank did not go for those purchases directly again was what?

Mr. SAKHIA. Because BCCI had a major loss in 1985. And with the financial statement as of December 1985, it was not thought prudent to go the regulators for approval of BCCI as a foreign bank-holding company in United States.

Senator KERRY. Now, let me reference another document which is—I believe you have it there—it is a memorandum from you. Copy was sent to Mr. Naqvi, and I think it is for the file. And this was as to the meeting that you held in Luxembourg.

Mr. SAKHIA. Yes, sir.

Senator KERRY. And this memorandum you've looked at it and you're familiar with it?

Mr. SAKHIA. Yes, sir.

Senator KERRY. This memorandum then is documentation of what you have just said about that meeting?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And this memorandum documents the bank's instructions and the bank's efforts to effect this sale itself rather than to have this done independently.

Mr. SAKHIA. Yes, sir.

Senator KERRY. And that memo, I believe sets out that Mr. Altman was going to have the power of attorney for Mr. Al-Foulaij. Is that correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. In order to have the power of attorney, he would have therefore had to have been conducting the transaction, I take it.

Mr. SAKHIA. Yes, he was to complete the paperwork.

Senator KERRY. Complete the transaction.

Mr. SAKHIA. Complete the transaction, yes, sir.

Senator KERRY. And since it was being affected on the model that you have described, that would mean that all of the paperwork that was attendant to the carrying out of that model would have been in his control or under his purview, is that accurate?

Mr. SAKHIA. Right.

Senator KERRY. Was it, in fact? Do you know?

Mr. SAKHIA. This was not to reinvent the wheel. We had done all of the—the similar had already been done vis-a-vis the California bank. So the power of attorneys, the loan agreements, the management agreements, the assignments, the collateral, everything was already existent. All they had to xerox them again, put new names and get them signed.

Senator KERRY. Now, did you ever go to the offices of Clifford & Warnke in Washington for any reason?

Mr. SAKHIA. I had been, sir, a few times.

Senator KERRY. A few times.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Do you recall a meeting in June or July 1988?

Mr. SAKHIA. Yes, sir.

Senator KERRY. What was that meeting?

Mr. SAKHIA. We had gone to brief Mr. Altman, we meaning Mr. Dildar Rizvi and myself had gone to meet with—

Senator KERRY. Who is Mr. Dildar Rizvi?

Mr. SAKHIA. Mr. Dildar Rizvi was the new head of U.S. desk in the head office. He was in charge of the U.S. operation in the head office.

Senator KERRY. In the head office, in London.

Mr. SAKHIA. In London. He visited me in New York and then Mr. Rizvi and myself went to meet Mr. Altman in Washington, in his office in Washington, to brief him about a decision to convert BCC agencies in California to full branches, and then from full branches to a subsidiary in California. At the—we had a long meeting. We discussed the whole business plan and staffing and capital, everything.

At the end of the meeting Mr. Rizvi asked Mr. Altman whether Mr. Clifford was in the office. He would like to pay his respects to Clark Clifford. So Mr. Altman found out and we went to Mr. Clifford's office for a few minutes. Mr. Dildar Rizvi greeted him and paid his respects. That was essentially a social or a protocol-type of meeting with Mr. Clifford. With Mr. Altman was a meeting of substance, with Mr. Clifford was a meeting of courtesies.

Senator KERRY. Was there any discussion of substance with Mr. Clifford at all?

Mr. SAKHIA. No, we very briefly, 2 minutes, Mr. Rizvi briefed him that now we were going ahead with our plans in California and Mr. Clifford, I remember said little jokes, political jokes, other jokes. And he said, what strikes out in my mind, is Mr. Rizvi, welcome aboard. We will tell more lies now.

Senator KERRY. We'll tell more lies now. Mr. Clifford said that?

Mr. SAKHIA. To Mr. Dildar Rizvi.

Senator KERRY. That sounds like at—I mean, that's sort of—was that in a joke?

Mr. SAKHIA. Well, I thought to be a joke, but the present context, it's no more a joke.

Senator KERRY. But it was meant as a joke then?

Mr. SAKHIA. It was meant as a joke then.

Senator KERRY. You are positive of that? I mean, there is no question in your mind about, I mean, it just sounds like an improbable thing for an intelligent lawyer or somebody to say. It just—you know, it is kind of hard to believe. That is all I am suggesting.

Mr. SAKHIA. These are the words to the best of my memory. This is Dildar welcome aboard. We will now tell more lies.

I did not know what was the private joke, what was the context of that joke.

Senator KERRY. Is there any question in your mind about your memory with respect to that?

Mr. SAKHIA. Not to these words, no.

Senator KERRY. No question.

Mr. SAKHIA. I'm very positive that these are the words which were said.

Senator KERRY. I am going to—you have identified for staff, and I just want to put it in the record very quickly. You have identified a series of documents with respect to the Castle Investment Group, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And it is your testimony that the Castle Investment Group of Fort Lauderdale was business that was given by you to First American?

Mr. SAKHIA. Yes, sir.

Senator KERRY. OK. And that document will be made part of the record. And in addition to that, there is a document dated June 10, 1985 from Hassan Parvez to a Mr. Amber Unis, on BCCI stationery. And this is regarding participation sold to First American Bank. Is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Do you have that document there? What was the meaning of that document, participation sold to First American?



Mr. SAKHIA. Well, we were—we had taken—we had given a loan to, I believe this relates to Jamaica under the CCC program. We would get a mandate and then sell part of the loan to other institutions. In this case, First American had bought the participation from us.

Senator KERRY. Well, it says here that the loans are accruing at 10.875 percent, which represents the rate of interest being paid by Bank of Jamaica to BCCI.

Mr. SAKHIA. Yes, sir.

Senator KERRY. In turn, we have sold these loans at prime rate, leaving a seven-eighths percent of a point spread for us. Is that correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. So in other words, you took the business, gave it to First American.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Kept a spread for BCCI.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Is there anything—that doesn't strike me as unusual. I mean, do banks not do that all the time, or am I misreading this?

Mr. SAKHIA. No, but the banks—we did send the participation to other banks as well. So in that sense it's not unusual except that in the case of other banks there would not be a memorandum like this. The other banks would buy the participation and then do its own bookkeeping, do its own transactions, do its—receive its own payments. Here we are doing a lot more work than an arm's-length correspondent bank.

Senator KERRY. And therefore, the importance of this document as you present it to us is that this document demonstrates a different relationship from the norm?

Mr. SAKHIA. Yes, sir.

Senator KERRY. It demonstrates a relationship of BCCI participating in the deal in a way that would not normally occur with an arm's-length transaction.

Mr. SAKHIA. No, sir. Regarding all the paperwork and detail work in a syndication market when a major bank syndicates a loan, then each member of the syndicate does its own accounting, does its own interest calculation, everything. Here we are doing everything for First American.

Senator KERRY. I see. You are doing everything for them. Was that what the seven-eighths percent was supposed to cover?

Mr. SAKHIA. No, that was related by the market. That was dictated by the market because—

Senator KERRY. Why was it necessary to take seven-eighths percent if BCCI owned First American and you just give the whole thing to them and in the end, recoup. What was the purpose?

Mr. SAKHIA. Well, the manager in Miami is also overzealous and he wants to also show some profit. So the decision had been made in London of the level, or even at my level we would not have bothered about it. But this overzealous managers would try to get an advantage.

Senator KERRY. Grab his piece to be able to show success?

Mr. SAKHIA. Yes. Also, one other caveat to that is that to my memory we had sold the insured portion to First American, where as to other banks we would sell 100 percent. In this case, to First American we had sold only the portion that had been guaranteed by the U.S. Department of Agriculture. The risk portion still remained with BCCI.

Senator KERRY. The risk portion remained with BCCI.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Well that wouldn't be a normal transaction, would it? You wouldn't give away—

Mr. SAKHIA. No, we would not. We would send the participation of the loan as is to other members of the syndicate. But in this case of First American, because they were not experienced and aware of these type of transactions, so we gave them insured transaction. We did the collection, the did the interest calculation, we did all the booking. We just gave them the part of the business for them to make money.

Senator KERRY. With respect to Canal Place Limited Partnership, and a document dated June 21, 1985 from BCCI to Mr. Afreedi at the First American Bank, that states that BCCI requires First American to add its confirmation to a standby letter of credit from BCCI Tampa to Travelers Insurance. Is that correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. What is the meaning of this document?

Mr. SAKHIA. Well, under this—the—our customer was borrowing some moneys from Travelers Insurance and many other agencies under the guarantee of BCCI. BCCI not being a U.S. bank, Travelers Insurance and City of New Orleans would not accept BCC guarantee, or BCC's standby letter of credit. So it needed American bank confirmation.

We asked, almost told, according to this memo First American what to do. They would come into the position of the confirming bank. Now as I recall, Travelers Insurance did not have First American on the approved list, nor did City of New Orleans. So we went to Travelers Insurance to accept the First American confirmation.

Senator KERRY. Could First American have refused to do this?

Mr. SAKHIA. It could not. We had told them what to do, and they would do it.

Senator KERRY. I beg your pardon?

Mr. SAKHIA. They could not send her to us.

Senator KERRY. Why?

Mr. SAKHIA. We told them what to do, and they would do it. And this document is an evidence of that.

Senator KERRY. This says, To First American Bank, for the kind attention of Mr. Ijaz Afreedi. Please discuss and pass on this message to Mr. Sakhia.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Require First American Bank to add their confirmation to the following, standby letter of credit, which is something by the BCCI Tampa to Travelers—which is issued by BCCI, Tampa, to Travelers Insurance.

So you are saying require First American. That was an instruction?

Mr. SAKHIA. Right.

Senator KERRY. And is it true that if that had not happened without the bank up guarantee, you would not have been able to arrange that transaction?

Mr. SAKHIA. Well, in the end, if my memory serves me right, the Travelers did not accept First American. So we had to then arrange it with Bank of America.

Senator KERRY. OK, do you know why they did not accept?

Mr. SAKHIA. Because still it was an unknown, relatively small bank.

Senator KERRY. With respect to imports, P.L.—that is Public Law 480, Imports by Sri Lanka, there is a document dated September 3, 1987 to a Mr. Nassim Khan, of BCCI in Sri Lanka. And this came from a Mr. Jaffre of BCCI in Washington, that is the Washington—

Mr. SAKHIA. Representative office.

Senator KERRY. That is right.

And this document describes how First American will handle the banking needs of BCCI, Sri Lanka. Is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And this simply says to Mr. Abedi, reference your memo, dated July 17, 1987, addressed to Mr. Amjad Awan, we contacted the International department of First American Bank, and advised them that they have been registered with Central Bank of Sri Lanka to quote rates for advising a negotiation of LC's under the P.L. 480 program.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now why could that not have been pursuant to their instruction, or request?

Mr. SAKHIA. I don't understand your question.

Senator KERRY. When you say—not you, but when Mr. Abedi is informed—

Mr. SAKHIA. This Mr. Abedi is a different Mr. Abedi. He is not the president of the Bank.

Senator KERRY. I beg your pardon?

Mr. SAKHIA. This Mr. Abedi is a different Mr. Abedi.

Senator KERRY. Correct, Mr. Youssef Hussein Abedi.

Mr. SAKHIA. Youssef Abedi, yes, sir.

Senator KERRY. But when he was informed—he is the International Division of BCCI?

Mr. SAKHIA. No, Mr. Youssef Abedi—was he the manager in Sri Lanka, or was he the International Division?

Senator KERRY. I think International Division.

Mr. SAKHIA. Yeah, at that time he may be an International Division.

Senator KERRY. This is July 1987.

Mr. SAKHIA. Yes, sir, Mr. Massi was the manager. You are right.

Senator KERRY. But my question to you is, this merely states, we contacted the International Department of First American.

Mr. SAKHIA. Yes.

Senator KERRY. And it says that they have been registered with Central Bank, correct?

Mr. SAKHIA. Central Bank of Sri Lanka.

Senator KERRY. And what are you asserting that that document—

Mr. SAKHIA. What I'm saying is that BCCI is making efforts to register First American, Washington, as an acceptable bank to the Central Bank of Sri Lanka.

Senator KERRY. Could they not have done that at the request of First American?

Mr. SAKHIA. No, but First American would have to either go themselves to Sri Lanka to register themselves. In this case, BCCI manager in Sri Lanka, and BCCI International Division in London, is doing all the effort to register First American with the Central Bank.

Senator KERRY. Is that unusual?

Mr. SAKHIA. It is. You wouldn't do it for the third party. You would do it for your own. But not with somebody else.

Senator KERRY. So what you are suggesting is that they were doing it for themselves.

Mr. SAKHIA. Well, BCCI was doing it for itself.

Senator KERRY. Through—I understand, all right.

Now, who is Mr. Mohammed Hammoud?

Mr. SAKHIA. Mr. Mohammed Hammoud, to my knowledge, was a shareholder in BCCI. And I later on found out that he was a shareholder in First American. My memory goes back about 27 or 28 years when I went first time to Beirut. He was a small-time money changer.

Senator KERRY. He was a money changer in Beirut?

Mr. SAKHIA. In Beirut.

Senator KERRY. He was Lebanese?

Mr. SAKHIA. He could have been Syrian or Lebanese.

Senator KERRY. And he passed away when?

Mr. SAKHIA. I believe he died early this year, or late last year.

Senator KERRY. Now, did you ever assist Mr. Hammoud on a real estate transaction while you were at BCCI?

Mr. SAKHIA. Yes, sir. We did a loan to him from BCC in New York, which we were told from London to give that loan in the first instance.

In the second instance, when he had acquired the property and he wanted to develop a property in Washington, he contacted us to make a construction loan—which we refused to do because we were not equipped to handle construction loan.

Senator KERRY. So you did not want to do the transaction.

Mr. SAKHIA. I did not want to do the first transaction. And I completely refused to do the second transaction.

Senator KERRY. Were you ordered to do the transaction?

Mr. SAKHIA. The first transaction I was ordered to do.

Senator KERRY. Who ordered you to do the first transaction?

Mr. SAKHIA. The Central Credit Division in London.

Senator KERRY. And London ordered you to do what?

Mr. SAKHIA. They had decided about the loan. They only asked us to disburse the loan and to—

Senator KERRY. So you made a loan to him for 110-percent of the value of the property.

Mr. SAKHIA. We ended up doing 110-percent of the loan.

Senator KERRY. Did that make business sense?

Mr. SAKHIA. No sir, that did not.

Senator KERRY. But nevertheless you did it because London told you to.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now did Mr.—he came back to you, you said, for a second loan, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And he wanted a construction loan at that time?

Mr. SAKHIA. Yes, sir.

Senator KERRY. You said no.

Mr. SAKHIA. Right.

Senator KERRY. Did you receive instructions then, from London?

Mr. SAKHIA. Well, then London told me, why don't you introduce him to First American, because the property is in Washington. First American is present in Washington, and First American is big real estate loans.

Senator KERRY. And did you introduce him to First American?

Mr. SAKHIA. Either directly, myself, or one of my staff introduced him to the respective people in the Washington office of First American.

Senator KERRY. Of First American?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And did First American finance his next transaction?

Mr. SAKHIA. I think they financed a letter of credit, for Mr. Hammoud.

Senator KERRY. Now, did you later learn that Mr. Hammoud was an owner of First American?

Mr. SAKHIA. I learned after I left BCCI that he was a——

Senator KERRY. What did you learn after you left BCCI?

Mr. SAKHIA. That he had bought shares from Mr. Clifford and Mr. Altman.

Senator KERRY. And when had he done that, prior to——

Mr. SAKHIA. I believe it was in 1987, or 1986, or 1987. But not much before the loans.

Senator KERRY. Was that prior to these transactions?

Mr. SAKHIA. Yes, sir.

Senator KERRY. So allegedly, Mr. Hammoud was a stockholder in BCCI, correct—excuse me, in First American?

Mr. SAKHIA. Both. He was a shareholder in both.

Senator KERRY. A shareholder in both?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And from whom did Mr. Hammoud buy his stock in First American, supposedly?

Mr. SAKHIA. Supposedly he bought it from Clifford and Altman.

Senator KERRY. And notwithstanding that, London asked you to introduce him to Clifford and Altman, subsequent to his already being a shareholder?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Why would Hammoud have to go to you to obtain a loan from First American if he owned shares of the bank that he had purchased from Mr. Clifford and Mr. Altman?

Mr. SAKHIA. I wasn't aware that—now it doesn't make sense to me that why a shareholder was among the handful of shareholders.

It's not like a big corporation with hundreds of shareholders. The handful of shareholders—it directly bought the shares from the chairman and the president. And he wants me to introduce to the officers of First American. It didn't make any sense to me.

Senator KERRY. Now I am going to introduce a couple of documents into the public record, which we are not going to go through now, because of time.

[The information referred to follows:]

MR. INTIAZ AHMED  
CENTRAL CREDIT DIVISION  
BCC, LONDON

RE: M. N. HAINAOU

WE HAVE BEEN CONTACTED BY MR. HAINAOU  
REGARDING THE LOAN FACILITY APPROVED BY ~~YOU~~  
CCC PER YOUR TELEX OF DEC 4, 1987. THE  
LATEST ~~CURRENT~~ SITUATION AS EXPLAINED TO US BY  
MR HAINAOU IS AS FOLLOWS:

AS PER THE SALES CONTRACT, THE CHURCH IS  
REQUIRED TO VACATE THE PREMISES BEFORE SEPT. 88.  
THEREFORE, TO ENSURE THIS, MR HAINAOU IS CURRENTLY  
OFFERING 2 ALTERNATE OPTIONS TO THE SELLER:

I: MR. HAINAOU PROVIDES THE SELLER  
WITH A STANDBY LC FOR THE BALANCE  
OF PURCHASE PRICE I.E. \$ 4.5 MM ENCASHABLE  
ONLY UPON THEIR VACATING THE PREMISES AS  
AGREED AND PROVIDING A ~~FREE~~ CLEAR TITLE.  
IN THE EVENT THIS OFFER IS ~~EX~~ ACCEPTED  
BY THE SELLER, MR. HAINAOU REQUESTS THE  
FOLLOWING FROM BCC.

DC 005582  
CUM

1. STANDBY LC \$ 4.50 MM
2. LOAN FOR BUYING OUT \$ 0.75 MM  
THE PARTNERS IN THE DEAL

## COLLATERAL:

1. IN CASE THE ~~RECORD~~ OF ENCASHMENT OF  
 RBLC, WE SHALL SIMULTANEOUSLY RECORD  
 OUR LIEN OVER THE PROPERTY AS 1ST MORTGAGEE.
2. TO SECURE THE LOAN OF \$ 0.75 MM PENDING  
 RECORDING OF MORTGAGE, MR. HAMMOUD OFFERS HIS  
 PERSONAL QTY AND ASSIGNMENT OF ~~THE RIGHTS~~  
~~UNDER~~ THE SALES CONTRACT TO BCC. WE HAVE  
 BEEN INFORMED THAT HE HAS ALREADY PAID  
 \$ 1.00 MM AS DOWN PAYMENT TOWARDS THE  
 PURCHASE PRICE TOTALING \$ 5.5 MM. HOWEVER,  
 UNDER THIS SCENARIO ~~HOWEVER~~ ALTHOUGH OUR  
 STANDBY L/C EXPOSURE IS ADEQUATELY SECURED,  
 THE LOAN LIABILITY, IN CASE THE TRANSACTION  
 DOES NOT <sup>COME TO</sup> ~~COME TO~~ ~~CONSUMMATE~~ FRUITION, IS  
 ONLY SECURED BY OUR RECOURSE TO MR. HAMMOUD  
 AND OUR RIGHT TO RECEIVE REFUND FROM OF  
~~RECEIVE~~ DOWN PAYMENT FROM SELLERS ENFORCING  
 OF WHICH MAY REQUIRE LENGTHY LEGAL PROCESS.

OFFER

## OPTION II

DC 005583

MR. HAMMOUD PROVIDES \$ 4.5 MM IN  
 ESCROW AGAINST RECORDING OF FIRST MORTGAGE  
 IN OUR FAVOUR. THE ESCROW MONEY HOWEVER  
 WILL BE AVAILABLE TO THE SELLER UPON  
 VACATING THE CHURCH.



From regulatory point of view we <sup>3</sup> may not wish  
 to retain an ~~arrangement~~ and even if we were allowed  
 the vendor may like an independent arrangement.

IN VIEW OF ABOVE SITUATION WE SEEK  
 YOUR APPROVAL & GUIDANCE TO ACCEDE TO  
 EITHER OF THE ABOVE REQUESTS AND AMEND  
 THE TERMS OF THE FACILITY ACCORDINGLY.

~~MR. HAN~~

ALSO, MR. HANNOUD. IT IS STILL NOT CLEAR  
 AS TO ~~THE~~ ENT ABOUT THE BORROWING ENTITY.  
 PLEASE NOTE THAT IN EITHER CASE THE DEAL  
 HAS TO BE ~~CL~~ CLOSED ~~BY~~ BEFORE JAN 31.

REGARDS.

A. R. SAKHA.



320 PARK AVENUE NEW YORK NY 10022

DATE: December 19, 1988

FROM: Laila Alizai

TO: Mr. Amer Saleem  
U.S.R.OSUBJECT: M.M. Hammoud/Congressional Place

Please refer to your approval for issuance of a Standby LC for \$380,000 favoring the City of Alexandria. As already advised to Shahbaz last week, FABNY advises that FAB Virginia is willing to issue the Standby LC @ 1% p.a.; FABNY's charges will be an additional .50% p.a. I have discussed this with Mr. Imtiaz Ansari of Mr. Hammoud's office today, and he has agreed to an all in rate of 2.75%; this would leave us with 1.25% p.a.

Please provide approval for these charges urently.

Regards,

*Laila Alizai*  
.....

DE

001215

320 PARK AVENUE, NEW YORK NY 10022

DATE:

August 15, 1990FROM: Credit Department  
New York AgencyTO: Mr. Shahbaz Raheem  
USRO Credit DepartmentSUBJECT: ZURICH CORPORATION/M. M. HAMMOUD

As you are aware, the interest on the loan of \$10 million given by First American Bank to Zurich Corporation under our SBLC of \$10.1 million is not being serviced by Zurich. Accordingly, First American have debited our account with the following amounts.

<u>DATE</u>	<u>AMOUNT</u>
7/2/90	\$90,416.67
7/25/90	\$87,500.00

Please advise which account should be debited in order to respond to these entries.

Our account with First American Bank has also been debited with the following amounts:

<u>BORROWER</u>	<u>SBLC AMOUNT</u>	<u>AMOUNT DEBITED</u>	<u>DATE</u>	<u>REMARKS</u>
M. M. Hammoud	\$378,081	\$1,890.41	5/21/90	Commission for period 6/5/90 to 12/5/90 First American Bank New York.
M. M. Hammoud	\$378,081	\$ 946.00	6/15/90	D.O. First American Bank Virginia.
Carlton Farms	\$150,000	\$ 750.00	7/14/90	Commission for period 6/7/89 to 6/1/90 First American Bank New York.

Please advise regarding these amounts also.

Regards,

  
Raghu Bahadur

cc: Mr. Mohammed Ali

NY 00060301  
CONFIDENTIAL

SEN 000567

Copy To Mr. Sakaria ✓

Rcv: @11M/1.08336 Line: 1  
264080 BCCMI UR

RCA SEP 23 1215 264080 BCCMI UR

2522 BCCBAR WB

BCCI BARBADOS

MSG 3397

23.9.86

TO: MR A R SAKHIA ✓  
REGIONAL CREDIT UNIT  
MIAMIPRICE WATERHOUSE- FIVE YEAR LOAN FOR BDS DLRS 400,000

THE MATTER WAS DISCUSSED WITH PRICE WATERHOUSE, AND THEY ARE CONSIDERING FAVOURABLY OUR REQUEST FOR GIVING US CUSTOMERS ACCOUNT. HOWEVER, TERMINATING THIER BANKING RELATIONSHIP WITH THIER EXISTING BANKER AT THIS POINT IN TIME IS NOT POSSIBLE, AND COULD BE CONSIDERED IN THE FUTURE.

THEIR US DOLLAR ACCOUNT DOES NOT CARRY SUBSTANTIAL BALANCE. HOWEVER, AFTER DISCUSSING THE MATTER WITH THE OTHER PARTNERS, THEY MAY CONSIDER THE POSSIBILITY OF OPENING A MONEY MARKET ACCOUNT WITH MIAMI.

KINDLY THEREFORE CONFIRM APPROVAL OF THE LOAN PROPOSAL POSSIBLY BY TELEX AS THEY URGENTLY REQUIRE OUR RESPONSE SINCE GIVING THIS LOAN WILL GIVE US THE START FOR FUTURE BANKING RELATIONSHIP.

REGARDS.

SHABBAR JAWAID  
MANAGER 264080 BCCMI UR

2522 BCCBAR WB

Time: 12:25 09/23/86 EDT  
Connect Time : 189 seconds

C 0002149



But the first document is a letter, apparently written by you regarding Mr. Hammoud. And it is written to the Central Credit Division of BCCI, London, regarding a standby letter of credit from BCCI for \$4.5 million. Is that correct?

Mr. SAKHIA. Right sir.

Senator KERRY. And that refers to the property that was being purchased from a church in Alexandria, VA?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And the other documents refer to standby letters of credit from First American on that property?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And other property of Mr. Hammoud. Is that correct?

Mr. SAKHIA. Right.

Senator KERRY. Now, what, if anything, do you know about a \$10 million loan by First American to Zurich Corp., an organization apparently controlled by Mr. Hammoud?

Mr. SAKHIA. I'm not aware of that transaction. I've seen the documents, but I'm not aware of that.

Senator KERRY. So you know nothing about that transaction?

Mr. SAKHIA. I don't know.

Senator KERRY. In 1986, you received a memorandum from a Mr. Abu Nizam, describing UPI, United Press International, establishing a global account at BCCI, as a result of their agreeing to place their entire U.S. and head office banking portfolio with First American Bank. Is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And placing its international operations with BCCI. Is that right?

Mr. SAKHIA. Yes, sir.

Senator KERRY. So according to this document, dated December 8, 1986, Mr. Amjad Awan was to handle the account on behalf of UPI?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Did that take place?

Mr. SAKHIA. I'm not sure. I think that very early stage of that acquisition, the gentleman who was buying, sold back his option. So I do not know how much of the transaction went to BCCI, and how much did not.

But the understanding was, that as one entity, we will handle the business of UPI in United States, through First American; and the rest of the world through BCCI.

Senator KERRY. So you would assert that as another example of the breadth of this jointness of relationship. Is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Now, turning for a moment to Price Waterhouse, if we can, there are documents which we have been provided regarding some \$600,000 in loans of Barbados dollars from BCCI to Price Waterhouse, in Barbados. Are you familiar with that?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Which branch of Price Waterhouse was responsible for auditing BCCI Grand Cayman's?

Mr. SAKHIA. The Grand Cayman office of Price Waterhouse was responsible.

Senator KERRY. And that is part of Barbados, right?

Mr. SAKHIA. No, the—I believe——

Senator KERRY. That was handled—Grand Cayman's branch, was handled by Price Waterhouse, Barbados?

Mr. SAKHIA. I do not know, sir, the structure of Price Waterhouse. My impression is that either the Bahamas or Grand Cayman would be the headquarters, and not Barbados. But I could be wrong.

Senator KERRY. It is my understanding there is only one Price Waterhouse branch, in the Caribbean.

Mr. SAKHIA. I have seen two. I have seen Cayman, and the Bahamas.

Senator KERRY. Cayman?

Mr. SAKHIA. Price Waterhouse, Cayman, and Price Waterhouse, Bahamas.

Senator KERRY. OK, well we will check on that.

Let me ask you this—the Grand Cayman's BCCI was the branch where the biggest losses occurred. Is that not true?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Did Price Waterhouse, Barbados, ever borrow money from BCCI?

Mr. SAKHIA. Yes, sir, it did.

Senator KERRY. And, I take it—do you have the document there—Price Waterhouse borrowed \$597,000?

Mr. SAKHIA. Yes, sir—the amount is, as per the documents.

Senator KERRY. I will enter into the record a memorandum dated July 2, 1987 to Mr. Hassan at BCCI, Miami, from Mr. Jawaaid.

[The information referred to follows:]



BROAD STREET, BRIDGETOWN, BARBADOS, W.I.

DATE: July 02 1987

FROM: Shabbar Jáwaid

TO: Mr. Bande Hasan  
L A C A R  
BCCI MiamiSUBJECT: PRICE WATERHOUSE

Please find enclosed our proposal for an additional loan facility of BDS\$187,000.00 in favour of Messrs. Price Waterhouse.

A loan of BDS\$400,000.00 was approved for this firm of Chartered Accountants in your memo dated 7th October 1986, secured by the personal guarantees of the firm's partners, estimated net worth BDS\$4 million,\*and repayable over a five year period in installments of BDS\$6,666.67, plus interest monthly.

Only BDS\$232,000.00 of this loan has been drawn down to date of which the outstanding is now BDS\$180,168.67. All installments and interest have been received according to schedule. Our customers now estimate that to complete their acquisition of furniture and office equipment they will require BDS\$365,000.00 of the amount they have an unutilized facility of BDS\$168,000.00 (400,000.00-232,000.00) and so are in effect seeking an additional BDS\$197,080.00 in financing.

This new loan of BDS\$197,000.00 will be secured by the personal guarantees of the partners and will be repayable over a five year period in installments of BDS\$3,284.00 plus interest monthly.

Our branch has benefited considerably from relations with this firm through introduction to prospective clients and they have also become our important agent for travellers' cheques.

In view of the above and also the fact that they have met all commitments to us in the past we strongly recommend this proposal as we stand to benefit from continued close relations with this firm.

We look forward to receiving your approval as soon as possible.

Regards,

\* Personal financial statements of partners already on file with Regional Credit Committee.



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DATE: July 02 1987

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We look forward to receiving your approval as soon as possible.

Regards,

*Pl. reply that it is not the policy of the bank to consider loans beyond 2 year term.*  
8/7/87

\* Personal financial statements of partners already on file with Regional Credit Committee.





**BANK OF CREDIT AND COMMERCE INTERNATIONAL  
(OVERSEAS) LIMITED**  
BROAD STREET BRIDGETOWN, BARBADOS

CONFIDENTIAL OFFICE COPY

FROM BARBADOS BRANCH	TO HEAD OFFICE
<b>CREDIT LINE REQUEST / SANCTION</b> (Submit in duplicate)	
<b>CONFIDENTIAL</b>	
Name of Party <u>PRICE WATERHOUSE</u>	
Address <u>COLLINSIDE BLOCK ST MICHAEL, B1231005</u> Account No. <u>01024001</u>	
<p style="text-align: center;">(To be filled in by Branch)</p> <p>Unit Application No. _____ Date <u>2 JULY 1997</u></p> <p>We request for the sanction/renewal of the following limit in favour of the above named party. An up-to-date credit report of the party is enclosed for your perusal and record. A review of the account is given overleaf.</p> <p>NATURE OF LIMIT <u>DEMAND LOAN</u></p> <p>AMOUNT OF LIMIT <u>BD\$5137,300.00</u></p> <p>RATE OF INTEREST <u>10%</u></p> <p>SECURITY <u>PERSONAL GUARANTEE OF PARTNERS</u></p> <p>ESTIMATED NET WORTH <u>BD\$5.1 MIL. 13%</u></p> <p>MARGIN _____</p> <p>REPAYMENT ARRANGEMENT <u>REPAYABLE IN INSTALMENTS</u></p> <p><u>OF BD\$3284.00 PLUS INTEREST MONTHLY. TOTAL</u></p> <p><u>REPAYMENT PERIOD 5 YEARS.</u></p> <p>REVIEW / EXPIRY DATE <u>01.09.98</u></p> <p>PURPOSE OF ADVANCE <u>TO FINANCE PURCHASE OF</u></p> <p><u>FURNITURE AND OFFICE EQUIPMENT.</u></p> <p>CONSIDERATION <u>PLEASE SEE COVERING MEMO</u></p> <p>OTHER CONDITIONS OF LIMIT IF ANY _____</p>	<p style="text-align: center;">(To be filled in by Head Office)</p> <p>Unit Sanction No. _____ Date _____</p> <p>The following limit is sanctioned / renewed subject to our usual terms and conditions.</p> <p>NATURE OF LIMIT _____</p> <p>AMOUNT OF LIMIT _____</p> <p>RATE OF INTEREST _____</p> <p>SECURITY _____</p> <p>MARGIN _____</p> <p>REPAYMENT ARRANGEMENT _____</p> <p>REVIEW / EXPIRY DATE _____</p> <p>OTHER CONDITIONS _____</p>
<p>Officer <u>[Signature]</u> Manager <u>[Signature]</u></p>	<p>Authorized Signature _____ Sanctioning Authority _____</p>

## NAME OF PARTNERS AND DIRECTORS

ROBERT S. KIRBY

Anthony G. Ellis

ANTHONY G. REYES

GRAHAM A. KIRBY

RONALD L. WILKINSON

J. ANDREW HARTSHORN

COLIN T.O. BREWER

## REVIEW OF ACCOUNT

## PARTICULARS OF ACCOUNTS INCLUDING ALLIED ACCOUNTS

Name of A/C	Date Opened	Average Balance for last six months

## TOTAL BUSINESS RECEIVED IN LAST ONE YEAR

Imports (L/C)	Imports (other)	Exports	Local Bills/ Bills Discounted	Remittances
-0-	-0-	-0-	-0-	-0-

## PRESENT OUTSTANDING LIABILITIES IF ANY

TOD	OD	CC	LOAN	LIM	LTR
-0-	-0-	-0-	180,168.67 2 June 1987	-0-	-0-
PC	LAFB	IBP	L/C	L/G	PAD
-0-	-0-	-0-	-0-	-0-	-0-

## BUSINESS EXPECTED DURING NEXT 6 MONTHS / 1 YEAR

Imports (L/C)	Imports (others)	Exports	Local Bills/ Bills Discounted	Remittances
-0-	-0-	-0-	-0-	-0-

Name of other Banks and any information available regarding dealings, credit lines and business with them.  
(If credit report obtained from other banks annex true copy with this)

Note: If the borrower is a group of companies / firms, the above information should be given for all group accounts maintained with the branch.

3..

This customer has been with the branch almost since its inception here in Barbados. The account is run to our entire satisfaction and we consider them good for \$10,000.00.

8. CARIBBEAN SUNTAN PRODUCTS LIMITED O/D BD\$ 200,000  
Financial statements of the client as at 31st March 1988 are enclosed as well as a personal financial statement of the guarantor.
9. KISHORE & NAINA LAHMANI T/A MASCOT CORPORATION O/D BD\$ 240,000  
Please read the amount of deposit as \$40,000.00 instead of \$25,000.00 as mentioned. Financial statements are under preparation and will be submitted when available.
10. LA ROMANA LIMITED O/D BD\$ 240,000  
Financial statements for this customer for 1987 and 1988 are currently under preparation. These will be submitted when available.  
Please find the back of the CLP duly completed.
11. SHEP'S PHOTO CENTRE O/D BD\$ 80,000  
We confirm that the balance on the customer's account as at 12/31/88 was \$72,224.53, down from \$94,000.00 as arranged. The current balance outstanding is \$70,096.81.
12. PRICE WATERHOUSE DEMAND LOAN BD\$ 597,000  
The renewal has been submitted for the full amount approved (400,000 and \$197,000), however, the amount outstanding is currently \$385,211.42. The drawdown against the loans approved was as follows (please also refer our memo dated July 2, 1987 enclosed).
- | <u>DATE</u> | <u>AMOUNT</u> |
|-------------|---------------|
| 03/10/86    | \$215,000.00  |
| 31/12/86    | \$ 17,000.00  |
| 30/07/87    | \$113,183.35  |
| 20/08/88    | \$225,000.00  |

Page Three

CRT/3904

21/1/89

10. La Romana Limited

O/D BD\$240,000

Please let us have up to date financial information on this client. The back of the CLP has not been completed. Please provide us with the necessary information to properly complete this form.

11. Shed's Photo Centre Ltd.

O/D BD\$ 80,000

Please let us know present outstandings. The back page of the CLP has not been completed. Temporary excess over limit up to BD\$94,000 was to be adjusted by 12/31/88.

12. Price Waterhouse

Demand Loan BD\$597,000

We have record of approving two separate loans as follows:

BD\$197,000 to be based on a five year repayment program with a balloon payment at the end of second year (July, 1989).

Loan for BD\$400,000 with installments based on a five year repayment program repayable over two years. This loan should have been fully repaid by September, 1988.

Based on the above, please explain the nature of the proposal being presented for BD\$597,000. Please submit up to date financial information on this borrower.

13. Anand Santani T/A Pratibha's Casual Corner

O/D BD\$ 65,000

Loan BD\$ 30,000

The O/D limit is being requested to be increased from BD\$55,000 to BD\$65,000. Please let us know consideration for this request.

The loan of BD\$30,000 when approved on February, 1988 was to be repaid in 20 monthly installments of BD\$1,500 plus interest. We observe from the CLP that the outstanding under this loan is BD\$17,159.67. Please let us know the reason for requesting approval for the original limit of BD\$30,000.

Up to date financial statements may please be submitted.

14. Maya & Nanku Bahani T/A Liberty Store

O/D BD\$150,000

.../



BROAD STREET, BRIDGETOWN, BARBADOS, W.I.

DATE: July 02 1987

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L A C A R  
BCCI MiamiSUBJECT: PRICE WATERHOUSE

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Look forward to receiving your approval as soon as possible.

Yours,

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Senator KERRY. And it says, please find—Subject, Price Waterhouse: Please find enclosed our proposal for an additional loan facility of BDS \$187,000 in favor of Messrs. Price Waterhouse.

A loan of BDS \$400,000 was approved for this firm of chartered accountants in your memo dated October 7, 1986, secured by the personal guarantees of the firm's partners, estimated net worth, BDS \$4 million.

So here, I take it, what he is saying is these \$400,000—let me read directly from this if I can—this was to give us the “start” for future banking relationship between BCCI and Price Waterhouse. The letter describes Price Waterhouse opening up a money market account with BCCI in Miami.

Is there a particular reason that BCCI was anxious to obtain Price Waterhouse accounts?

Mr. SAKHIA. I think Price Waterhouse was more keen because as I recall, BCCI in Barbados, had the available credit ceiling from the Central Bank to make loans. And Price Waterhouse wanted a local, guaranteed loan.

As a quid pro quo, they would put a U.S. dollar deposit in Miami, whereas we would lend them Barbados dollars.

So the first transaction of \$400,000 Barbados dollars—which is \$200,000 American dollars—was approved during my tenure in Miami.

Senator KERRY. Now, you have already suggested in your opening statement that Price Waterhouse, in your mind, was either negligent, or incompetent, or corrupt, or all three, or a combination of any of those three. Is that correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Do you believe that Price Waterhouse adequately performed their service, as auditors, within the Caribbean and Latin area?

Mr. SAKHIA. Well, in the Caribbean branches, other than Cayman, their—they did the work routinely as auditors would do. The greatest negligence came in handling the more critical areas like Grand Cayman, Luxembourg, Panama, Kuwait, Bahrain—these were the centers where the frauds took place. And they have been very, very, very negligent in that area.

Senator KERRY. Well, now were any questions raised at BCCI about the practice of loaning money to auditors who were supposed to be responsible for the certification of the accounts of the bank?

Mr. SAKHIA. Well, I don't think any discussion as such took place. Because London was aware of this loan. Because we had informed London, even though it was within my power, financially. But I had still informed London.

Senator KERRY. Did you see any apparent conflict in the auditors banking with that particular entity, and, in fact, being indebted to them for a significant sum of money?

Mr. SAKHIA. Again, you are asking—

Senator KERRY. I am just asking a personal opinion on this one.

Mr. SAKHIA. As an average-caliber banker, your question of ethics—whereas the Price Waterhouse is the conscience-keeper of an institution. And if they are telling us that something is right, we think it is right.

Senator KERRY. Let me just say for the record that staff has reviewed documents from attorneys for Price Waterhouse, listing all of their partnerships. And their partnerships show only on in the Caribbean. So while they might have had more than one office, apparently there was only one partnership.

Mr. SAKHIA. In retrospect, Senator, it was a conflict of interest between Price Waterhouse borrowing money from BCCI. Yes, there is an apparent conflict.

Senator KERRY. Now what was BCCI's relationship with Bank of America?

Mr. SAKHIA. Up to 1979 or 1980, Bank of America was 30-percent shareholder of BCCI. After the relationship ended, BCCI was the largest banking customer of Bank of America. And BCCI—Bank of America was the largest correspondent of BCCI. So from that point of view, the largest banking customer of BCCI was First American, and largest banking customer of Bank of America was BCCI.

Senator KERRY. Do you know whether or not Bank of America had reason to believe that BCCI was involved in money laundering?

Mr. SAKHIA. I don't see how they would have known.

Senator KERRY. Weren't there some concerns at Bank of America, which is why they began to withdraw from their 30-percent ownership?

Mr. SAKHIA. No, not for money laundering cases, not to my knowledge. Because money laundering became more of a stigma in the mid-1980's; whereas this decision to disinvest had taken place in the late 1970's. They were not happy with the style of management, and the growth of BCCI. And I think those were more important reasons than money laundering.

Because if they were concerned about money laundering, they would not have been clearing \$1 billion a day. On an average day, they could clear \$1 billion, right through until 1988, 1989.

Senator KERRY. What was the relationship of the Bank d'Commerce de Plasmon in France, and BCCI?

Mr. SAKHIA. It was, again, the subsidiary of BCC group. I'm not aware of how much holding was with which entity. But they were part of the group.

Senator KERRY. Did BCP launder money for BCCI?

Mr. SAKHIA. With hindsight, I would say yes. I wasn't aware at the time. But with hindsight—

Senator KERRY. But you're aware now, that it did, at least in the Tampa case, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And didn't BCP open up a branch in Luxembourg, when BCCI already had a branch there?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Did that suggest anything to you?

Mr. SAKHIA. It is really suspicious.

Senator KERRY. Suspicious that what?

Mr. SAKHIA. That why would we need another branch in Luxembourg? These two cases, I don't remember whom I discussed with. But I discussed it with people in London, about the BCP branch in Luxembourg, and BCCI, Colombia branch in Bahamas, when BCCI, itself, had a branch in Bahamas.

So these two cases, I remember discussing, I think in the period of postindictment between October 1988 and March 1989.

Senator KERRY. Now who is Mr. Alfred Hartman?

Mr. SAKHIA. He was director of BCCI holding and some of the BCCI subsidiaries. And I think he was the chairman of BCP.

Senator KERRY. And involved with BNL?

Mr. SAKHIA. And now I learned that he was director.

Senator KERRY. Banque Nacional de Verone?

Mr. SAKHIA. He was director of Banque Nacional de Verone.

Senator KERRY. And the Inter-Marine Maritime Bank?

Mr. SAKHIA. Yes, sir.

Senator KERRY. He was a director of each of those?

Mr. SAKHIA. I understand now, sir.

Senator KERRY. Did he fall under that category of what you were calling "rent-a-face"?

Mr. SAKHIA. He was popularly known as "rent-a-face".

Senator KERRY. He was popularly known as that?

Mr. SAKHIA. Mr. Hartman, Mr. Van Noonan, Mr. Twitchen. They were known as "rent-a-face".

Senator KERRY. Now, I think there will be further testimony regarding him—

Mr. SAKHIA. It was, Senator it was known as RAF. So those people who are not familiar with the internal joke would think that they had glorious service with the British Air Force, like a veteran, in the United States.

So it's a sign of respect. But internally, it meant that they were rent-a-face.

Senator KERRY. Who is Sergio Da Acosta?

Mr. SAKHIA. He was originally the Ambassador of Brazil to the United States.

Senator KERRY. What was his role in BCCI?

Mr. SAKHIA. He later on became the chairman of BCC Brazil.

Senator KERRY. Did he receive loans or other payments from BCCI while he was Ambassador to the United States?

Mr. SAKHIA. Not to my knowledge, not while he was Ambassador.

I have seen the documents with various agencies, that subsequent to his leaving the Ambassador position, he got some loans from BCCI.

Senator KERRY. Now let me ask you something that has been curious to a lot of people. Where were you when BCCI was indicted for the Tampa drug-money laundering case?

Mr. SAKHIA. I was in New York. The day indictment took place, I was in London. But my posting was in New York.

Senator KERRY. And when the indictment occurred, I gather a team of lawyers was put together to deal with that?

Mr. SAKHIA. Sir, in the immediate hours there was lawyers in Florida, in the middle-of-the-night when people were arrested, there were lawyers put together by the people who were present there.

Subsequent to that, Mr. Naqvi had talked to Mr. Altman. And Mr. Altman, subsequently put together the team of lawyers from Washington. He made the selection for the bank, both the entities of the bank and for the individual defendants.



Senator KERRY. Was there concern about these individual defendants perhaps talking about bank activities?

Mr. SAKHIA. According to the BCC culture, everybody was confident that these people, these individuals would not betray the bank.

Senator KERRY. Would not be—what?

Mr. SAKHIA. Would not betray the bank.

Senator KERRY. Would not betray the bank.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Well, did the bank not take some rather extraordinary efforts to guarantee that they would not betray the bank?

Mr. SAKHIA. Well, they provided the attorneys and they kept them on the payroll. But other than that, no.

Senator KERRY. Well, did they not do more than keep them on the payroll? Did they not provide protection for them, and house them during the trial, and provide their lawyers?

Mr. SAKHIA. Well, as I said, they were provided with the lawyers and the pay. But the security was, I think, the request of the court, or the Justice Department, that they be protected.

The condition of their release on bail was that they would be provided adequate security.

Senator KERRY. Well, this indictment took place in 1988, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And what month in 1988?

Mr. SAKHIA. October.

Senator KERRY. It was in October.

Mr. SAKHIA. Yes, sir.

Senator KERRY. So in October 1988, there is an indictment.

Mr. SAKHIA. Yes, sir.

Senator KERRY. One year and three months later—

Mr. SAKHIA. Yes, sir.

Senator KERRY.—there is a plea.

Mr. SAKHIA. Right.

Senator KERRY. How, in God's name, did you spend \$45 million on legal fees, for five defendants who pled in a 1-year, 3-month period of time?

Mr. SAKHIA. I don't understand it either, sir. I had questions on that. And I was very dissatisfied with the attorneys, both on the criminal case, as well as on the regulatory case. I had very strong objections.

And others in BCC had very strong objections. On an ongoing basis, we debated that.

Senator KERRY. Well, let me—I need to be more accurate there. There was a split, was there not? There were, the defendants went to trial, correct?

Mr. SAKHIA. Right, sir.

Senator KERRY. The bank, pled.

Mr. SAKHIA. The bank pleaded guilty.

Senator KERRY. So about \$21 million was on the bank plea, and \$20 or \$28 million, I think it was, was on the trial of defendants. Is that accurate?

Mr. SAKHIA. I am not aware of this price.

We were told in January 1990, that \$35 million had been spent on this case. Because when we were briefed by Mr. Naqvi, follow-

ing the day of the plea agreement, I was the one who raised objection in London.

Senator KERRY. I might tell you that in—I did not practice law for that long a period of time—but when I was a prosecutor, I dealt with a lot of defense attorneys. And then when I was private sector, I had my own firm for a few years. And I have to tell you, I never heard of anybody, in 1 year's criminal case, on a drug, money-laundering or any case there, like making \$1 million, or \$2 million—let alone \$21 million, or \$45 million.

Mr. SAKHIA. It's a surprise to me, also.

Senator KERRY. Well, who paid it? Who paid it out?

Mr. SAKHIA. All the money was given from BCC group, to Clifford & Warnke, who then distributed it to various lawyers. But all the payments went through Mr. Altman's office.

Senator KERRY. Was there an effort to use political influence to try to stop the Tampa indictments?

Mr. SAKHIA. Well, I had discussed with Mr. Naqvi and others, and I believe a contact was made with Sheikh Zayed of Abu Dhabi.

Senator KERRY. But you are not sure?

Mr. SAKHIA. I am more or less sure.

Senator KERRY. You are more or less sure?

Mr. SAKHIA. That the contact was made by Mr. Naqvi, with Sheikh Zayed.

Senator KERRY. What does "more or less sure" mean?

Mr. SAKHIA. Well, I wasn't at the meeting, and Naqvi did not specifically say—that I went to—but I know that he went to see Sheikh Zayed several times.

I also knew of discussions with other than Mr. Naqvi, that it is not possible to use all—the influence is not working. I was also aware of Mr. Naqvi having lunch with the then-Prime Minister of Pakistan. And I was aware that a meeting was arranged by Mr. Awan's father with the Prime Minister of Pakistan.

So once Mr. Naqvi—

Senator KERRY. They were specifically trying to use that as a connection, is that correct?

Mr. SAKHIA. Yes, both—

Senator KERRY. And she turned that down, did she not? She said—

Mr. SAKHIA. She did not.

Senator KERRY [continuing.] She was not going to help.

Mr. SAKHIA. Right, Mr. Naqvi once did tell me, in one of the lighter moments, that if General Zia was alive, that things may be different.

Senator KERRY. After the indictments, did BCCI hear from the Federal Reserve?

Mr. SAKHIA. Yes, sir, we had regular meetings. I used to have regular meetings with the Federal Reserve.

Senator KERRY. And what was the Fed's approach?

Mr. SAKHIA. Well, the Fed's in the districts was very understanding. The Fed board in Washington, was very tough.

Senator KERRY. Did the Fed want to talk to top officers of BCCI?

Mr. SAKHIA. I had arranged a meeting through the counsel—not through the Altman counsel—but the lawyers that I was using, a meeting between—

Senator KERRY. Why were you using separate lawyers?

Mr. SAKHIA. Because that was our regular lawyers. We used to use them on a day-to-day business. And we had hired them to help us in the regulatory matters, and the—

Senator KERRY. What lawyers were those?

Mr. SAKHIA. I was dealing in—from San Francisco—from Los Angeles and Washington, a firm of Morrison & Forrester. And they had arranged my meeting with the staff of the Board in Washington.

In fact, we had told them that Mr. Naqvi would come to the meeting.

But under the advice of Mr. Altman, Mr. Naqvi did not come. We tried to arrange a conference call between the staff of the Board, and Mr. Naqvi, to which the staff of the board did not agree that they would not have a conference call.

Senator KERRY. At that meeting with the Fed Reserve, were you asked about the relationship between First American and BCCI?

Mr. SAKHIA. Possibly, yes.

I would just go back to the period between October 1988 and February, March 1989. It was a very intense period. Senator, I would give you an example that you are driving at 80 or 90 miles an hour, with four tires are blown. And we are trying to hold it together.

So it is—it is quite possible that they asked me. But I don't have any notes to say that they did or they did not.

Senator KERRY. Now, I want to ask you—it is fair to say, though, that you did not reveal the link between the two banks at that time?

Mr. SAKHIA. No, sir, I did not.

Senator KERRY. You were still working for the bank.

Mr. SAKHIA. Yes, sir.

Senator KERRY. And it has only been subsequent to your departure in 1990 that you have revealed those links.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Was it your understanding that there were some sources at the Fed Reserve who were providing information to attorneys for the bank?

Mr. SAKHIA. Well, what had happened, sir, was that every 2 weeks, I used to meet every Fed agency that was concerned with BCCI—New York, San Francisco, Atlanta—and representative of the Board in New York.

And I was get what the feeling on the day-to-day basis was. And I would report to Mr. Naqvi. But as Mr. Naqvi would say, that but Mr. Altman thinks differently. I would—I would agree with Mr. Naqvi that sir, I am meeting them on a day-to-day basis, with a Fed examiner sitting in our offices. I am having a regular meeting every 2 weeks with a representative of the Board. And what they are telling me, yes, they are concerned about the compliance. Yes, they are concerned about the internal controls. But they are willing to work with us. They are willing to guide us. And they are willing to help us.

On the other hand, Mr. Naqvi's feeling was that there was some monster Federal Reserve which was out to get us. And this information was going from Altman to Mr. Naqvi. Now before October

1988, to all of us—the Federal Reserve Board in Washington was out of bounds. We were not allowed to go—

Senator KERRY. Not allowed to communicate or deal with that—

Mr. SAKHIA. With them. We were allowed to see the district banks, but not the Washington Fed.

Senator KERRY. Two months before BCCI was indicted in Tampa, the bank was subpoenaed by this committee, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. How did you first come to learn about the subpoena?

Mr. SAKHIA. By a telephone call from Mr. Rizvi to me, in San Francisco, Amjad Away resigning, and the background of Amjad Awan's resignation.

Senator KERRY. He told you that Amjad Away had resigned from the bank?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And that was Mr. Rizvi who told you that?

Mr. SAKHIA. Dildar Rizvi, yes, sir.

Senator KERRY. Did he tell you why Amjad Awan had resigned?

Mr. SAKHIA. Because he was asked to be transferred to Paris, and he did not want to go to Paris, because he thought he was under subpoena, and he could not be absconding from subpoena.

Senator KERRY. So he did not want to run away from the subpoena.

Mr. SAKHIA. Yes, sir.

Senator KERRY. But he was being transferred to Paris in order to get him away from the subpoena?

Mr. SAKHIA. Yes, sir.

Senator KERRY. How do you know that?

Mr. SAKHIA. Mr. Awan told me; Mr. Rizvi told me.

Senator KERRY. Two people told you that?

Mr. SAKHIA. At that time—subsequently, Mr. Farouqi and Mr. Assam Shafi told me that.

Senator KERRY. Did you try to get in touch with Mr. Awan to talk to him about that?

Mr. SAKHIA. Yes, sir, I got in touch with him from San Francisco, and later on he came to see me in New York.

Senator KERRY. What did Awan say to you when he saw you?

Mr. SAKHIA. He said he would not work with BCC lawyers. He would have his own independent counsel. I made him agree that both counsels would cooperate with each other, and we will hold his resignation until the Senate hearings were over.

Senator KERRY. And did he tell you that he was going to Washington to meet with investigators of my staff at that time?

Mr. SAKHIA. Yes, sir, he did.

Senator KERRY. And he was accompanied by a separate, D.C. attorney, is that correct?

Mr. SAKHIA. His own attorney, yes, sir.

Senator KERRY. And he told you he wanted his own attorney because he did not trust the other lawyers or the other people involved?

Mr. SAKHIA. Yes, sir.

Senator KERRY. In the period following the indictment, did you have a number of meetings with Mr. Naqvi?

Mr. SAKHIA. I used to meet him at least alternate week.

Senator KERRY. And did the issue, subsequent to the indictment, of the relationship between BCCI, First American National Bank of Georgia, did that relationship come up in those meetings subsequent to the indictment?

Mr. SAKHIA. The National Bank of Georgia had already ceased to exist. It had become part of First American.

Senator KERRY. It was now First American.

Mr. SAKHIA. It was now First American.

Senator KERRY. What about the relationship to First American?

Mr. SAKHIA. No, sir, after that we were concerned with putting our house in order, not in First American.

Senator KERRY. Well, was that not part of putting your house in order, was there not subsequently an effort to try to make a sale in order to try to get everything cleared up?

Mr. SAKHIA. Well, we had suffered a very major setback, a lot of customers had withdrawn. A lot of official agencies had withdrawn the customers from BCCI. Were getting bad press. We were under regulatory pressure.

So we had to put—all our energy was being spent to damage control. And that's why I was head made—made the head of marketing for BCCI, in August 1989, to do that damage control, and recover back the lost business, et cetera.

So all our energies within BCC were focused on putting BCC in order—whereas, the Clifford, Altman group had tried to insulate or put a fire wall between the two institutions.

Senator KERRY. So you are saying that at the time of the indictments, a special effort was made to put a fire wall between the two institutions?

Mr. SAKHIA. Yes, sir.

Senator KERRY. What form did that fire wall process take?

Mr. SAKHIA. Well, all the communication which used to be so frequent and so open, had ceased to happen. During the first 3 or 4 months of the indictment, when I was still in the United States, and we had a problem in getting our business accepted in the United States, we were a couple of subsidiaries of First American—I don't recall whether it was Virginia or Tennessee—which refused to do business with BCCI.

Senator KERRY. And the United Nations pulled its accounts from BCCI, correct?

Mr. SAKHIA. Yes.

Senator KERRY. So this was a moment where BCCI began to feel that things were crumbling a little bit?

Mr. SAKHIA. Well, very soon, in about 1 year's time, we had got a handle on it. And we had begin to grow again, in the second half of 1990. We had suffered withdrawal. We had suffered lack of relationship with many institutions, banks. But in the second half of—

Senator KERRY. Now, when you say you got a handle on it, you have the plea behind you, is that correct?

Mr. SAKHIA. No, sir, plea came in January 1990.

Senator KERRY. OK.

Mr. SAKHIA. But before the plea, we had reestablished relationship at least with the business corporations, with many commercial banks, with many central banks. So we were going to get back that relationship.

But the official agencies, like the United Nations, or the Ex-Im Bank, et cetera, they would not do—still not do business with us.

Senator KERRY. Now, did the effort to contain this also involve getting documents out of the United States?

Mr. SAKHIA. As I said, this related into plea indictment, and after the, your subpoena, in Noriega case. I had heard that some Noriega papers had moved from Miami to London.

Senator KERRY. After the subpoena?

Mr. SAKHIA. After the subpoena, but before the indictment.

Senator KERRY. Noriega papers left?

Mr. SAKHIA. They left from Miami to London.

Senator KERRY. Did you have any control over any of those papers?

Mr. SAKHIA. No, sir, those were the regional—the Latin America regional office, in Miami.

Senator KERRY. However, as I think you know, some checks have turned up—which were General Noriega's—through First American?

Mr. SAKHIA. Yes, sir.

Senator KERRY. So how would that have occurred? You have General Noriega using First American, also?

Mr. SAKHIA. No, sir, what I've seen in these documents were the checks on BCC account. BCC representative office maintained an account with First American. And they had disbursed some expenses. And they had made an addition of what these expenses were for, and they related to General Noriega's visit to the United States.

But as it could have been with any bank, it did not matter whether it was a First American or any other corresponding bank.

Senator KERRY. OK.

But those documents were housed, then, in Miami?

Mr. SAKHIA. The relationship file was with Mr. Amjad Awan in Miami.

Senator KERRY. Do you know who was—who had custody of those documents, when Amjad Awan left?

Mr. SAKHIA. They would have fallen under the jurisdiction of Mr. Assam Shafi, because he was the regional general manager.

Senator KERRY. Of Mr. Shafi.

Mr. SAKHIA. Yes, sir.

Senator KERRY. And this file, was this file transferred to Mr. Shafi, when Mr. Amjad Awan left the bank?

Mr. SAKHIA. At some time, when Amjad Awan left the bank, and the bank was subpoenaed, the papers were transferred.

Senator KERRY. OK, did you personally know in 1988 that Amjad Awan was handling this account for General Noriega?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Did you personally know that he was the custodian of this file in 1988?

Mr. SAKHIA. He had the relationship and correspondent file, yes, sir.

Senator KERRY. And did you know that when he left the bank, he left this file with the bank?

Mr. SAKHIA. This file should have been in Miami, because Mr. Amjad Awan, after his meeting in London, never went back to the office in Miami. He never attended the office in Miami.

Senator KERRY. With respect to the documents that were under subpoena, the subpoena sought the records of General Noriega's file in the bank records, correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Those records were in Miami at the time the subpoena was issued. Is that correct?

Mr. SAKHIA. Some of them. The accounts—account documents would be in Panama, account documents would be in London, but the relationship file was in Miami.

Senator KERRY. And it would have evidenced where other documents were. Is that correct?

Mr. SAKHIA. Yes, sir.

Senator KERRY. And the account numbers would have been known in those documents in Miami?

Mr. SAKHIA. Quite possibly.

Senator KERRY. You're not sure?

Mr. SAKHIA. I'm not sure.

Senator KERRY. Do you know who, if anybody, suggested that those documents would be better off in London than they were in Miami?

Mr. SAKHIA. I'm not privy to that information. I do not know first hand who advised them.

Senator KERRY. But you were told specifically, but you do know specifically about Mr. Awan not wanting to go to Paris that being told that he would be transferred to keep him away from the subpoena. Is that accurate?

Mr. SAKHIA. Yes, sir. Amjad Awan and Assam Shafi both independently told be that.

Senator KERRY. Personally told you that.

Mr. SAKHIA. Yes, sir.

Senator KERRY. And who was going to transfer—whose idea was it to transfer him to London?

Mr. SAKHIA. According to—again, according to these two people, there was a meeting in London in which Mr. Naqvi, Mr. Rizvi, Mr. Altman, Mr. Awan, and Mr. Shaffi were present. And in those meetings, the decision was taken that Mr. Shafi would stay behind in London, and Mr. Awan would be transferred to Paris.

Senator KERRY. Did any other people also tell you that he was to be transferred?

Mr. SAKHIA. Mr. Dildar Rizvi told me during this telephone conversation, and Mr. Farouqi told me later on when I was in London.

Senator KERRY. Let me ask you just a couple of large questions here, if I can. We have been through a lot of detail and a lot of very dry testimony, obviously, but I think it is important or the committee to get as factual a sense publicly in the record as we can. Some of the allegations that you make are obviously extraordinary and of huge weight in this entire episode. Not all of it, I will say on the face of it is testimony that is automatically admissible in any court by any sense of the word, and I think we recognize it.

Those aren't our rules here and we try to keep it as much as we can to firsthand observation and evidence, but obviously we don't have the same rules.

You have stated with a certainty, though, with a very strong certainty, that it is your testimony that it is impossible, according to you, according to the practices of the bank, according to the relationships that existed, according to the instructions that were given, according to loans that were made, according to the interlocking network of those loans, according to the front people that existed and their relationship to the various parties, according to conversations that took place in various countries and so forth, you are saying it is impossible for anything other than an ownership relationship, a fully controlled relationship to have existed between BCCI and First American and National Bank of Georgia, beginning in the early 1980's. Is that accurate?

Mr. SAKHIA. Yes, sir.

Senator KERRY. Is that completely accurate? Is there any waffle or variation or—

Mr. SAKHIA. No, that is my very strong and positive opinion.

Senator KERRY. Well, more than opinion. I do not just want opinion here. Is that something you knew to be a fact by virtue of the practice you carried out as the head of the BCCI in America?

Mr. SAKHIA. Well, you have enumerated the whole list of interlocking relationship, joint business, joint marketing, joint the staff transfers, hiring of staff, merger of First American and National Bank of Georgia, renting of space, appointment of chief executives, the documents now I've seen how the raising of capital and purchase prices were circulated. It is nothing but one institution.

Senator KERRY. And it is your testimony that Mr. Abedi, in fact, personally told you on a number of occasions, we are First American, we have First American, First American is part of us.

Mr. SAKHIA. Yes, sir.

Senator KERRY. In various ways he did that. Is that accurate?

Mr. SAKHIA. Yes, sir. Right.

Senator KERRY. Well tell me, in what ways did he do that. I mean, what was the language he used? His language, not mine.

Mr. SAKHIA. Well, again, it's difficult to remember the words, but any time a question came up or starting BCC's own presence, the reason we cannot do so much of the business which is out there, he would say, but we have our own First American. We have National Bank of Georgia. We have to put the business there. We have to make them viable.

So on an ongoing basis the staff is together, the business is being marketed together. You have seen the examples of businesses which is not arm's-length business. There are several examples that you have shown me which I've not brought it to you, that show that we were doing not only marketing but calculation of interests, passing of entries, introductions, selling, marketing. What does this show? That this is one and the same.

Now for regulative offices or legal offices or logistics, there may be separate corporations, but General Motors has several thousand corporations, but it's one entity. I may be incorporated differently, it may be registered differently, it may have different boards, it may have different management, but its one and the same institu-



tion. In some of our conferences, when we discussed the total assets of the group, we discussed the total assets including First American, National Bank of Georgia, BCCI.

And you have shown me papers, which you have shown it to me which are discussing the assets of BCCI which includes the total assets of First American and National Bank of Georgia.

Senator KERRY. How did BCCI come to exude what the head of the Bank of England has called a culture of criminality. How did this happen? You were there. You were a mainstay of this effort in this country. Everybody's claiming that you know, somebody deceived me, the other person deceived me, so forth and so on. Where did this come from, this culture of criminality?

Mr. SAKHIA. Senator, I am really ticked off at Bank of England. Bank of England have tried to hide behind some laws and secrecies and privileges, but Bank of England, next to them, two blocks away from Bank of England was headquarters of BCCI spread in five buildings. 3,000 people worked there. When it suited Bank of England, Bank of England became the regulator of BCCI. When it suited them, they said they have nothing to do with us. Bank of England collected taxes on 3,000 staff payroll. Bank of England now says they've nothing to do with it.

So if anyone has to be censored, it has to be Bank of England and Price Waterhouse.

Senator, in all the media and all the testimonies, there's been a broad brush that all 14,000 people were corrupt and criminals. But what I said in my opening statement, that this was a very small group of BCC executives, BCC directors, and Middle Eastern front men. Very small group. The whole institution was not corrupt. Now at times—

Senator KERRY. Can I just stop you there? Very small group.

Mr. SAKHIA. Yes, sir.

Senator KERRY. Why is not plausible, then, I mean there are a lot of here who would really like to believe Clark Clifford and Bob Altman, people were deceived, that this did not happen. Why is it not possible that this small group of people kept this and just did their little deals between themselves, that nobody knew how that stock had been transacted. That there was not—I mean, they did not know that the stock had been held. They said we represent these people. Here he is, a big Middle Eastern money person, got a big bank. He says I represent these people, and there is no showing to the contrary. Why is that not—

Mr. SAKHIA. Senator, you have shifted from one question of culture criminality to the First American—

Senator KERRY. But you are saying it is a small group. It is hard to believe that a small group spread such a culture of criminality, and that there was such a culture. I mean, a culture is not exactly a small group. A culture represents the concept of all through the banks, throughout it. That is essentially what was—let me just finish—that is essentially what the banking authorities in England said, what Lord Premiden said. He said this is pervasive fraud.

And now you have a bank being investigated in Egypt for money laundering. You have got relatives of Indira Gandhi and the Gandhi's being investigated in India for malfeasance. You have got problems in Latin America with presidents of countries who apparently

had arms deals going on that were surreptitious. We have not even gotten into the arms deals here. I mean, you have a whole host of criminal activity, and you are saying this was just a small group of people.

But you yourself were very worried about what was going to happen in Colombia. You were worried about the skeletons in the closet, as you have phrased it yourself that might come out, and you did not want to fight the indictment because you thought that would result in the skeletons flowing out. So there is more here than this small group, unless I am missing something.

Mr. SAKHIA. Yes, Senator, I have told your staff and various other agencies also that not only the time of Colombia, but in 1986, I was worried so much that I resigned from the bank. And I told Mr. Abedi, Mr. Naqvi, and Mr. Ameer Siddiki that this is tragedy waiting to happen. And BCC offices——

Senator KERRY. When did you say to them it is a tragedy waiting to happen?

Mr. SAKHIA. Because I was concerned about——

Senator KERRY. When? When did you say that?

Mr. SAKHIA. July 1986. I resigned from the bank.

Senator KERRY. 1986.

Mr. SAKHIA. I offered—I tendered my resignation in writing and I had subsequent several meetings. And I told three of them that this was tragedy waiting to happen. Some day BCC officers would be in jail, and I didn't want to be one of them.

After that, after a lot of persuasion, I agreed to stay behind, but I said I would not stay in Miami because of the link with South America.

But again, what I'm saying is that probably 14,000 people were criminals. What I am saying is it was few dozens. Not even few dozens, maybe 15, 20, 25 people who are responsible for the criminality. If this was a culture that 3,000 people in London were criminals, what was the Government of England doing about it? What was the Bank of England doing about it if there were 3,000 criminals. What has happened today is that 14,000 of BCC staff has been painted as criminals. They're not getting jobs anywhere. They're not being employed anywhere. They're not being given apartments to rent. And they're the big suffering.

And that's why I am here. To say that there was only handful of people. The senior management, some of the senior management, the attorneys, the directors, and the Middle Eastern front men. Between them, they did the fraud of different types.

Mr. SCHNAPP. Senator, perhaps I can interject. I believe what Mr. Sakhia is stating simply is that there are many people who work for BCCI, and it is unfair to taint everyone who has ever been employed by that institution or one of its subsidiaries as part of this culture of criminality. That is one of the reasons Mr. Sakhia is here.

Senator KERRY. I appreciate that.

Mr. SCHNAPP. It is certainly his testimony that a number of people were involved in criminal activity.

Senator KERRY. I appreciate that. And I thank Mr. Sakhia, I have to depart now for another meeting. Senator Brown is going to close out the hearing and we are going to reconvene. He has some

questions and then we will close out the hearing. We will reconvene tomorrow morning at 10—not with your testimony, but with Mr. Lance who will be appearing. And I think it probably will only amount to a morning session tomorrow.

But let me just say to you that you know, I think that basically you have been very forthcoming. I mean, you are submitting yourself obviously to the threat of perjury and you have come before the committee, and you have come voluntarily, and you have answered things, I think, to the best of your ability. Needless to say there are always gaps of different people's perceptions and memory and firsthand observations and so forth. And yet I think you have raises a number of theories and help shed some light on what possibly has taken place here.

I want to emphasize possibly because I do not think the committee feels equipped at this stage to make any conclusions. It would be inappropriate to. And I have consistently throughout this hearing process tried not to draw any conclusions. I think we have only drawn one, and that was my objection as to who did what, when, or how. Beyond that, I think the committee has tried to be pretty careful about that.

We will look forward to explanations coming forward to whatever you have laid on the table here today, which is plenty. And obviously, there is a lot of work yet for us to do.

But I want to thank you for your contribution to this. I know your life is in turmoil today. I know that seeing a life's work go down the drain like this is about as bad as it can get. And I do not know how to make any of that better except to say to you from the committee's perspective that I think you are on the right track by trying to be helpful and trying to lay out to all of us exactly what happened here. And we are going to have to sift through the various testimonies and try to draw our own conclusions and make judgments about what that really is.

So I want to thank you for taking time to be here and appreciate it.

Mr. SAKHIA. Thank you very much for the opportunity, Senator. It is up to you to draw the conclusions. I have answered everything honestly and truthfully, and my understanding of things as I saw them. It's up to you and various agencies of this Government, and various other Governments, to do what they can to mitigate this tragedy.

Senator KERRY. Appreciate it. Senator Brown.

Senator BROWN. Thank you, Mr. Chairman. We just have a few additional questions. And obviously I want to give you a chance to add anything that you would like to at the end of this. We have not talked in depth today about CenTrust and any possible connections with BCCI. And I wanted to provide an opportunity for you to share with us any knowledge you might have in that area.

First of all, let me ask are you familiar with CenTrust?

Mr. SAKHIA. I'm familiar what organization was, CenTrust was a savings and loans in Miami. I'd had one or two social meetings with David Paul. But other than that, I wasn't aware of any link between BCCI and CenTrust. It did not happen in my time in Miami.

Senator BROWN. The meetings that you had were with who?

Mr. SAKHIA. With David Paul, Chairman of CenTrust. But I was in Miami, head of a foreign bank, and he was an important person. So we met on some social occasions. But other than that we had had no business relationship in my time.

Mr. SCHNAPP. Excuse me, Senator, may I talk with my client for a moment?

Senator BROWN. Sure.

Mr. SCHNAPP. I am finished, Senator.

Mr. SAKHIA. In—during my tenure in Miami there was no relationship between CenTrust and BCCI.

Senator BROWN. Do you know of any ownership interest by CenTrust—or by BCCI in CenTrust?

Mr. SAKHIA. Well, I have been asked many times and I've been shown documents that Dr. Pharaon owned about 18 percent of CenTrust. But I have no knowledge of that.

Senator BROWN. I'm sorry. I didn't catch the name as to who owned?

Mr. SAKHIA. Dr. Pharaon owned 18 percent of CenTrust stock. I've been shown documents in various agencies.

Senator BROWN. But you can't verify that on you own?

Mr. SAKHIA. I can't verify that. I have no knowledge of that.

Senator BROWN. Were you aware of the purchase of a subordinated diventure, \$25 million of subordinated diventures issued by CenTrust in May of 1988?

Mr. SAKHIA. I'm not aware of—I wasn't in Miami.

Senator BROWN. This is beyond the period of time that you were—

Mr. SAKHIA. In Miami. After I was in Miami.

Senator BROWN. So beyond the rumor you've heard about ownership, you don't know of any ownership.

Mr. SAKHIA. No, sir.

Senator BROWN. With regard to the purchase of subordinated diventures and their redemption, you don't know anything?

Mr. SAKHIA. I have no knowledge of those.

Senator BROWN. I appreciate that. I am going to enter here at this point in the record a phone log from David Paul. This was prevented to the Senate Judiciary Subcommittee on antitrust monopolies and business rights. It is a record of David Paul's calls and discussions. This is February 13, 1985. And I will enter that here in the record with unanimous consent.

[The information referred to follows:]

## DLP TELEPHONE MESSAGES

PAGE 1

WEDNESDAY, FEB. 13, 1985

9:30 Mitch Perkeil (212) 962-3300  
Mrs. Paul Please call.

9:30 Robert Paul (412) 456-4453  
Mrs. Paul Please call.

9:45 Sue Cochran (213) 205-5000  
Drexel  
Can you help her get a mortgage.  
She wants to buy a condo in Orlando  
for her brother to live in.  
\$53,900; 95% financing, 5% down, fixed rate.

9:50 Nick Bayard (212) 214-2301  
Please call.

11:00 Gene  
Levitz Electric  
He is at your house. Please call.

11:50 Al Tetl Ext. 5434  
Wayne Brown has agreed to stay.  
  
You need to talk with Vince Dunne  
re. Mickwee. Some issues need to be  
resolved this week. IMPORTANT.

12:40 Abdur Sakha (305) 374-0777 ext. 314  
General Manager  
Bank of Credit and Commerce  
Would like to arrange a meeting with you.  
He will be out of town until Friday, Feb. 22.  
Feb. 22 or the week after would be good for him  
if it is convenient for you.

2:25 Mike Kilmeik (312) 736-3136  
666  
Please call.

3:00 Sheldon Guren (305) 374-2800  
Please call today. Will be out of town Thurs and Fri.

3:30 Sylvan Schfler (214) 480-6432  
Drexel  
Please call.

3:30 Tom Myers (305) 255-3886-home  
Please call him at home tonight.

Provided by *Senate Judiciary Sub* Committee on *SEN2951*  
*Antitrust, Monopolies and Business Rights*

TELEPHONE MESSAGES - PAGE TWO

January 28, 1986

11:30 a.m.

FREDDY BLITSTEIN

I have set up meeting at 12:00 NOON  
with Freddy and his brother Peter  
on Thursday - Will you take the time  
to meet with them?

1:00 p.m.

ABDUR BAKHIA

Bank of Credit and Commerce  
would like you to call him  
today.

374-0777

1:00 p.m.

ANDY KOSVYCH AND SIMON HEWITT

(212) 480-5614

Burger needs the \$6,006.00 for  
the propellers.

1:15 p.m.

ANGEL CORTINA

Would like to speak with you.

2:00 p.m.

ROBERT PAUL

4:40 p.m.

RON BOOK

Returned your call

347-4716

4:25PM

PATRICK OCONNOR - GREATER MIAMI  
CHAMBER OF COMMERCE  
Luncheon cancelled Friday

6:00PM

VIC POSNER

SEN0447

TELEPHONE MESSAGES - DLPTHURSDAY, APRIL 17, 1986

9:50AM DICK WRIGHT  
Will be here in office April 24, until 2PM;  
plane leaves at 3PM; we have made hotel  
reservations for him for April 23 evening.  
Remember that day you also have Joe Pontoriere  
and Ralph Milo coming in

9:55AM SAM ADLER  
Will call back later

10:00AM BEN BENJAMIN  
To set up a luncheon with his daughter and you  
(she is an atty.); set up for 4-30 at 12:30PM

10:00AM ALAN MERKUR  
Set up a meeting for 4-21 with Weitzer  
group, and would like you to attend

10:15AM DAVID HEDLEY - DREXEL 212-480-3533  
Are proceeding with a study of a specific  
candidate for your

10:18AM GRACE ABEL - PHILHARMONIC OF FLA. 945-5180  
Follow-up on letter they sent you

10:35AM ABDUR SAKHIA'S OFFICE 374-0777 X303  
To reschedule lunch that was sched. for  
4-24

10:36AM CLIFF MEYER - IBM (also, Board of Freedom) 849-9208  
Re your request for data processing  
study for CentTrust

10:48AM SAM ADLER  
Will call again

11:00AM STEVE PECK 212-909-1850

11:00AM JIM DABL

11:15AM PETER MCGRATH - SOUND COMPONENTS  
Called about piece of equipment from boat -  
Don Anderson is taking care of it this  
afternoon - asked about check - I told him I could  
probably send \$10,000 today - okay?

12:20PM LARRY GREEN - REDISCOVER MIAMI BEACH 538-0090  
Re letter he mailed to you on 4/10; we  
received 4/11

SEN0635

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## TELEPHONE MESSAGES - Page 2

Monday - Sept. 2nd

Time	Name & Message	Telephone	F/U
1:15 p.m.	MANNY MEDINA He bought your house on Star Island -- would like to have you over for Dinner. (Should I set it up?)	856-2626	<i>Personal</i>
1:30 p.m.	JIM CORONA Re: Initial C. Brewer deal -- asked to be transferred to C. Berry.	217-524-7893	
1:45 p.m.	Lily MR. SAKHIA'S OFFICE Bank of Credit & Comm. Would like to invite you to a Black-tie affair honoring Oscar de la Renta Collection at the Mayfair House on Friday, Sept. 26 7:30 p.m. (Would you like to attend?)	372-0911	
1:50 p.m.	HANK MEYER Thurs. - Sept. 4 Israel Philharmonic will be performing at the Theater of Performing Arts and would like the Tower to be lit in Blue and White.	576-5700	
3:40 p.m.	Stephanie DAN GOOD'S OFFICE Re: Dinner w/M/M Good and M/M Arthur Imperator in New York on Sept. 10 meet at Mr. Good's apt. and go to dinner from there. (Is set tentatively on your schedule -- is this date and time alright w/you?)	212-298-4327	

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TELEPHONE MESSAGES - Page 2Monday - Sept. 22nd

<u>Time</u>	<u>Name &amp; Message</u>	<u>Telephone</u>	<u>F/U</u>
1:35 p.m.	ROBERT MOLL Arthur D. Little Re: Joint venture of a few large S&L's	617-864-5770	Shealy per DLP
2:30 p.m.	SARA LYONS Florida Historical Society Would like to meet w/you to discuss their new project - book on the history of Florida. (Would you like to meet w/them?)	445-9898	No
3:00 p.m.	MARVIN ROSEN'S OFFICE Mr. Rosen and Mr. Ross will be here at 4 p.m. today.		OK
3:10 p.m.	Lily ABDUR SAKHIA'S OFFICE B.C.C.I. Mr. Sakhia would like to set up a lunch w/you and Mr. Akhtar Anis from B.C.C.I. London Office on Oct. 3 at 12:30 p.m. (I have put it tentatively on your schedule - CONFLICT w/Europe w/the Barbars - Please advise.)	374-0777 ext. 303	OK
3:15 p.m.	GEORGE GOLDBERGER of the Grace Commission investigating waste and inefficiency in the Federal Government. He will be in Miami on Oct. 8, 9 & 10 and would like to meet w/you. (CONFLICT - You wanted to take Oct. 8 off and You will be in Pebble Beach on the 9 & 10. Please advise.)	202-628-6428	No

SEN0804

Senator BROWN. I might say I do note here his discussion with you at 12:40 on February 13, 1985. The note is, "Would like to arrange a meeting with you. He will be out of town till February 22." There are several other notes here. Do you recall conversations at this time? Would you like to look at the phone log?

Mr. SAKHIA. Sir, I remember there was a financing, there was a loan CenTrust was going to make to the purchaser of some LPG business, Liquified Petroleum Gas business from Texaco. A customer of CenTrust was going to buy, and CenTrust was going to make a loan. David Paul wanted us to participate in that loan. And we had had some telephone discussions in respect to that loan to the customer of CenTrust. But nothing happened in that transaction.

Senator BROWN. During this period of time that you were aware of did you all do business with—

Mr. SAKHIA. CenTrust, not till February 1987. While I was there we did not do any business with CenTrust.

Senator BROWN. Let me ask if there's anything that you would like to add at this point for purposes of the record.

Mr. SAKHIA. Well, I said it in the opening statement and I said it subsequently, that I feel very concerned for the thousands of former employees of BCCI. And they have suffered a lot. And any agency that would do something to mitigate their problems, and if any fines are imposed on these people who are involved, there should be some help given to the BCC staff in this country and elsewhere. And that is my request to you, sir.

Senator BROWN. I take it, it is your feeling that the overwhelming majority of BCCI employees were not aware?

Mr. SAKHIA. Yes, sir.

Senator BROWN. Of the criminal activity?

Mr. SAKHIA. No, sir.

Senator BROWN. Do you feel they should have been?

Mr. SAKHIA. Well an employee is hired to do a part of the business. And they are doing their part honestly and diligently. They are managing what they are asked to manage. It was only a handful of top people in London and the directors of the bank and the front men of the bank who are involved in various conspiracies of owning First American, an officer of a bank in Africa or in Europe or in Middle East, he's not involved in this. He's servicing his clients. He's providing good service. He's putting in 70 to 90 hours a week. He's working under extreme conditions. He's not party to any fraud. He's not party to money laundry. He's not party to ownership in California.

And yet, these are the people who have suffered. The rich Middle Eastern middle men who have collected fees and dividends and bonuses are enjoying part of this fraud.

Senator BROWN. A couple of questions to close out. Many corporations have pretty strict codes of conduct that deal with not only ethics but compliance with the law, not only the letter of the law, but the spirit of the law. Did BCCI have such a code of conduct?

Mr. SAKHIA. No, sir. That was a problem. The code of conduct we had some general notifications and circulars, but we did not have what a major bank would have, a compliance division. And we had tried to do it on our own in the field. I had tried to institutionalize that while I was in Florida and when I went to New York. And

that's where I ran into problem in Florida because we were trying to introduce internal controls and compliance.

The—subsequent to that, when BCCI was indicted, I wanted to hire an external agency to do the work whereas London decided that it will be done in house, the compliance procedures and compliance manuals. Because I had signed agreement with State of Florida, State of California, and State of New York to put the compliance procedures, I was the signatory to those. Well, that's why I wanted to hire external agencies which are experts. But Bank decided to do this internally.

And January or February 1989, I went in a huff to London to extend this compliance beyond the U.S. to the other offices of BCCI, like Panama and Colombia, and that time I was told by two Siddikis, Ameer Siddiki and Saleem Siddiqui that United States does not control the world. And I told them—

Senator BROWN. Others have made that observation, too.

Mr. SAKHIA. This was my reply to them. I said, Mr. Siddiki, the big Government changes in Panama, and if there's a pro-American Government in Panama, everybody from BCC will end up in jail. These were my words. After that Mr. Naqvi said would you like to move to London. I said thank God, yes.

Although in my personal life it was the worst time, I moved to London in March of 1989. In the same month my wife had a cancer operation. But still I went to London. I left my 14-year-old son, and I left for London. Because I saw that this was a big tragedy that was going to happen. I consulted the partner of Mr. Schnapp, Mr. Lumni, whom I knew. I said what shall I do? Shall I leave the bank? He said if you left the bank at this stage, you will become immediate target. And then nobody will pay your legal fees and nobody will support you. So it's better that you go to London until this case is concluded. And you can leave at that time.

And I left in April of 1990 at the conclusion of this case.

Senator BROWN. You have extensive experience in the banking industry, not only inside the United States but around the world.

Mr. SAKHIA. Yes, sir.

Senator BROWN. You occupied a key position with BCCI. What sort of laws should we look at that would have been helpful to stop this tragedy from happening? What kind of requirements would have spotted this and made it impossible?

Mr. SAKHIA. I'm not a legislative expert or legal expert, so my opinion would be from a common man's perspective. That the controls in the bank and the auditing of the bank should be tightened much more than they are not in many countries. There are hardly any regulations on the practices of institutions.

Senator BROWN. You mean internationally or inside the U.S.?

Mr. SAKHIA. Both in United States and internationally. The savings and loans tragedy is because of similar situation. No regulation, no accountability, no audits, or the auditors are not held accountable or responsible. Although this is a free market, and I subscribe to the form of free market, but free market to pay interest whatever you want and then have all of that deposit insured by FDIC. So the bank take money at whatever cost, make losses, and yet, the Government and the taxpayers subscribe to the mismanagement.

The management has to be made criminally responsible not just be fired. The auditors should be held criminally responsible. The auditing of the bank and the financial institution should become more organized. I've seen audits by the regulators in several countries, in Canada, in United States, in other countries. And the—I don't want to be misunderstood, but most of that stuff is very underpaid and untrained. Whereas the staff of the commercial institutions is highly trained, highly paid, highly organized. Any time auditors would come, the examiners will come from various agencies, their first intent would be get a job in the organization their auditing. They're underpaid, they're not trained, they're not looked after. They come to a commercial institution where there are exquisite dining rooms, cars, privileges, beautiful offices. They are working under stress. They're underpaid, they are overworked. They are not trained.

Now this part has to be corrected, particularly in United States because now I'm here in United States and if a separate agency was to be found—a commercial firms were to be given this work, and then this would be charged back to the institution which are being audited. But they're dealing in public trust and they are being insure by taxpayer's money.

Senator BROWN. You're feeling that some of the illegal activities might have turned up if the auditors had been more thorough, better trained, more conscientious?

Mr. SAKHIA. Again, in my view, if something was illegal, and acquisition of BCCI of the First American, Independence, National Bank of Georgia, at least the auditors of the bank knew that because they were auditing it. They knew the loans were made to CCH. They knew the loans were made to Pharaon. They knew the loans were made to others. Did not the question, did they not know that it was illegal? I can't understand where you, Mr. Chairman come from, vis-a-vis Clifford and Altman, that they might not have known, I can see your point of view. But I cannot see the point of view of the auditors of the bank because auditors had the books in front of them. They knew what the loan was for, what the collateral was, what the loan agreements were. The loans were not being serviced. For years they knew this.

Senator BROWN. You're saying all of it was there?

Mr. SAKHIA. All of it was in the books. It was in the record and they were privy to those records. The American lawyers may take the plea that they were not, but there's no way the auditors would have not known.

Senator BROWN. With regard to the dodge that went along in terms of ownership with the practice of having nominees take ownership of the stock when in reality BCCI was the owner. Any thoughts come to your mind as to how that can be spotted? What sort of arrangements would be helpful. I mean that is a case where obviously what they did was illegal under U.S. laws. And yet it lasted for many, many years, never spotted. Any thoughts on what kind of requirements would get at that?

Mr. SAKHIA. I would be at a loss to recommend. I can understand the predicament of the Federal Reserve and similar agencies because they were consistently lied to. And I would very much be at a loss to recommend how they can tighten up any of this—

Senator BROWN. Would some coordination, international coordination between countries with regard to bank regulation be helpful here?

Mr. SAKHIA. I believe there is a Basel Concordat of the Central Bank, and I read in the papers recently that a representative of the Federal Reserve is the chairman of that group of regulators. But again, there are so many national interests and so many political interests at each other. Now, BCCI to everyone was an illegitimate child so everyone has cooperated in the small degree they've cooperated in case of BCCI. But in other tragedies like Banco Ambrosiana and others, Banco Nazionale di Lavoro, and so on, these—even this sort of a group has not been successful because there are national interests of various agencies.

Senator BROWN. BCCI obviously was able to not only acquire significant banks with a minimum amount of capital or equity, but appears that they then used their control over those banks to acquire ownership in other banks.

Mr. SAKHIA. Yes, sir.

Senator BROWN. This ability to pyramid appears to give someone with almost no equity and ability—what was this, \$19 billion in assets at the time the empire was put together?

Mr. SAKHIA. BCCI?

Senator BROWN. Yes.

Mr. SAKHIA. BCCI group was \$24 billion.

Senator BROWN. Say it again.

Mr. SAKHIA. \$24 billion.

Senator BROWN. \$24 billion.

Mr. SAKHIA. The equity was about \$1.5 billion.

Senator BROWN. And when you say equity of \$1.5 billion, you are referring to the equity of all the institutions combined?

Mr. SAKHIA. No, sir. BCCI, according to BCCI financial statement, it had share capital or the capital fund of close to \$1.5 billion.

Senator BROWN. If the institutions were not terribly successful financially, how do they achieve that kind of equity?

Mr. SAKHIA. But BCCI in commercial business was very successful. It's profit was very high. It's return on equity and return on assets was very good. BCCI on the commercial side was an extremely successful organization worldwide.

Senator BROWN. How much of that, of the profit, can you give us an estimate as to how much of it might have been obtained legally and how much of it was obtained illegally?

Mr. SAKHIA. Sir, money is so fungible that you cannot identify how, what happened because there are not specific transactions. You raise deposits which you may invest in U.S. Government securities, and you may see that there's an earning on securities. Whereas the source of funds may have been drug money. So it's very difficult to identify how—which portion came from where. But in case of BCC, such a large proportion of its business was international business and foreign exchange operation and service oriented that a very large percentage of its business came from providing good service and needed service.

I am at a loss to understand why they would indulge in activity. But once you are caught into this web of ownership, cross owner-

ship, insider loans, to extricate that, they had to go on covering again and again and again. But on the commercial side, it was a very successful bank.

Senator BROWN. We appreciate your testimony and your coming in. Thank you.

Mr. SAKHIA. Thank you.

Mr. SCHNAPP. Thank you.

[Whereupon, at 5:13 p.m., the subcommittee adjourned, to reconvene at 10:08 a.m., October 23, 1991.)

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